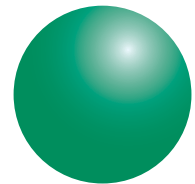


Promise what we deliver.

Deliver what we promise. That's

certainty





TCS House, Mumbai

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Annual General Meeting will be held on Friday, June 29, 2007, at Birla Matushri Sabhagar, Sir V. T. Marg, Mumbai, at 3.30 p.m. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are requested to kindly bring their copies to the meeting.

Board of Directors

(Standing - Left to Right)

Ron Sommer
Independent Director

A Mehta
Independent Director

R N Tata
Chairman

N Chandra
Independent Director

V Thyagarajan
Independent Director

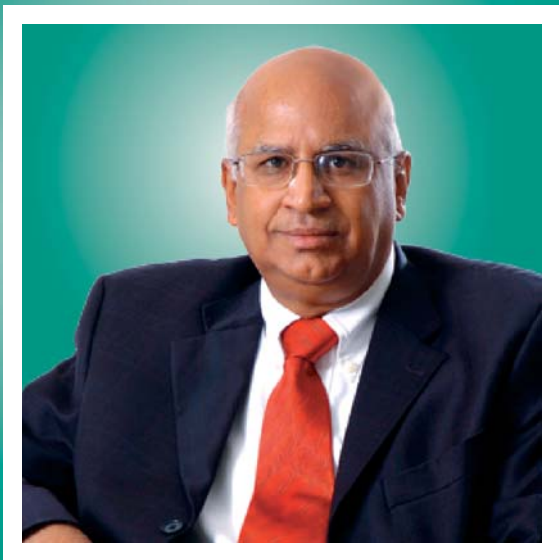
(Sitting - Left to Right)

S Ramadorai
Chief Executive Officer
& Managing Director

Laura Cha
Independent Director

C M Christensen
Independent Director





S Ramadorai
Chief Executive Officer & Managing Director

Letter from CEO

Dear Shareholders,

2006-07 has seen your Company take some significant steps on the journey to be among the top IT companies globally. With consolidated revenues of \$4.3 billion TCS now stands at global number 11 and on the threshold of the top ten global IT firms. On other parameters like profits, market capitalization and employee strength, your Company is well established in the global top 10. In the 11 Quarters that your Company has been publicly listed, its market capitalization has more than trebled from around \$8 billion at the IPO price to \$28 billion at the end of March 2007. We have been consistently rewarding our shareholders, not only through dividends paid out every quarter but also through the maiden 1:1 bonus issue made this year.

Our growth rates have also been rising steadily year-on-year since we went public -- from 37% in 2004-05 to 41% this year -- on an ever increasing revenue base. Many strategic initiatives undertaken in the last 18-24 months are bearing fruit. In the process, we are creating an agile and flexible organization able to deliver based on new and innovative business models while scaling up our global capabilities and footprint to take advantage of the strong demand for our services globally. With an eye on the future, we are grooming leadership for the next level-a leadership that is committed to the Tata way of business. Our corporate social responsibility initiatives especially those in the areas of children's education and adult literacy continue to thrive.

As we continue to deepen our links in mature markets and establish a strong presence in emerging markets, we remain confident of pursuing growth rates higher than the industry average, with a keen eye on profitability and new opportunities.

The TCS strategy is being driven by three key differentiators. One is the unique Global Network Delivery Model™ (GNDM™) which is much more than having an India-centric delivery model with near-shore centers. The GNDM™ allows our teams to collaborate on projects, leverage all our assets, work on a follow-the-sun model, if necessary, and above all, through their homogeneity in terms of quality, skills and look-n-feel, give customers the same experience of certainty, irrespective of geography and market.

Another key driver of growth has been our acquisitions. The intent has not been to buy revenues, but to create capabilities that will drive higher levels of synergistic growth. The value being generated by these acquisitions has been tremendous and we have seen only the beginning of the synergistic revenue opportunities. For instance, acquisition of FNS in Australia has given us a world-class core banking product which we have been able to leverage to enter new markets such as China and Latin America.

The power of our GNDM™ as well as our strategic acquisitions is truly unleashed by our integrated full-services play that now captures the entire value chain of IT -- from consulting to products and solutions, and from implementation to support. Five of the twelve large deals of over \$50m won by TCS in 2006-07 used more than one service line which shows that an integrated offering has been validated by global customers.

We believe that there is tremendous opportunity for a company like TCS in the global market place and our growth strategy is centered around five objectives:

- Increase market share in established markets like the US, the UK and Europe
- In India, concentrate on projects with scale and complexity -- like the National Stock Exchange, the third-largest global exchange by trading volumes, or mission critical projects like the Ministry of Company Affairs' MCA-21 initiative
- Establish TCS as a leading player in new markets like China, Japan, Latin America as well as the Middle-east and Africa
- Add new offerings to our portfolio such as infrastructure services and new BPO platforms and increase traction for the financial products portfolio in key markets

Having laid a strong foundation, your Company must focus on some broad imperatives so as to become the pre-eminent IT services player globally. Innovation is one such imperative.

Innovation can take many forms, but these must result in better productivity of employees through continuous improvement in processes, systems, methodologies and capabilities, resulting in higher revenues and profits per employee. Our internal focus on operational excellence has seen innovation in the form of extensive digitization, creating

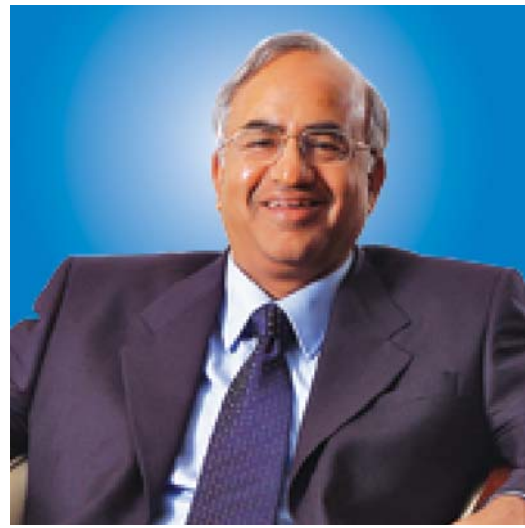
real time dashboards which have brought in visible efficiencies, growth and margin enhancements. Increase in the use of automation in software development and reducing the linear increase in manpower by greater use of our own IP to crunch the IT development-to-deployment cycle is another key focus of the innovation efforts.

We continue to remain focused on our customers and their needs. 65% of a Chief Information Officer's budget, for instance, goes into running the business. We believe this can be brought down so that more is available for transformation initiatives. We have built our reputation on absolute delivery excellence and we like nothing better than to help our customers experience certainty when it comes to IT.

The ultimate test of success is probably talent management. The average age of a TCSeer is 27. Today's young employees constantly push us hard to meet their global career aspirations and to nurture them into world-class professionals. Your Company is becoming truly global with over 8,000 employees from over 67 nationalities in the TCS fold. The immense professionalism, dedication and support of over 85,000 TCSeers globally continues to be your Company's greatest asset.

Your Company's strength in learning and development is also playing a key role in the larger community. Our commitment to education and technology is helping students in India and beyond through outreach programs and community education and health initiatives. We also continue to minimize any impact on the environment and are working with our colleagues to create a greener organization and community.

The revenue potential of the Indian IT industry is estimated to be \$60 billion by 2010 and your Company is well poised to take advantage of this opportunity. It has put in place a vertical organization and a global footprint to capitalize on the trend of increasing domain specialization, whilst simultaneously building the global scale required for large end-to-end engagements. We are constantly researching and finding new frontiers for our services - new opportunities through initiatives to create innovative models like platform-based BPO or remote infrastructure management and are building an organization that is geared for growth and ready to claim its rightful place in the world of Information Technology.



S Mahalingam
Chief Financial Officer

Delivering certainty to shareholders

In the 11 quarters since TCS went public in 2004, investors know TCS as a company with strong financial management focused on long-term growth and profitability. TCS has seen consistent growth of earnings and profits in the period, and in the context of our current brand promise, it is helping investors and shareholders' experience certainty in a dynamic market place.

The finance function in TCS acts as the rudder, as the Company proceeds on its journey to the global top 10 by 2010. The journey begins with a rigorous financial planning exercise that aligns the entire organization behind the financial and business goals of the Company.

To drive certainty for financial stakeholders, TCS focuses on operational efficiency through robust, coordinated financial planning and execution across an enterprise which operates in 39 countries. The global organizational structure through branches, subsidiaries or joint ventures has enabled the Company to be flexible, compliant and responsive to the needs of the marketplace. While this does add to the quarterly complexities, it is well managed through an ERP system that gives the finance and leadership team a view on information on parameters like Growth, Profitability and Efficiency right from the Project and Customer account level through to the Country and Industry and Service Practice levels. As the system aims not only to record but also to provide extensive analysis, it leads to consistency of long term performance of the Company as well as transparency. This is achieved by understanding, tracking and managing costs closely and creating a performance oriented culture through appropriate measurement tools that focus on driving value for the customer and the organization. These processes start from certainty in costing at the project level and go through to the business unit level.

To deliver a sophisticated and dynamic costing model at the project level, TCS studied and developed a project- level Activity Based Costing (ABC) linked to the software engineering process and based on a new technique that was being introduced in the manufacturing industry in the early 1990s. The pioneering implementation of an Activity Based Costing process was to measure the cost at the level of Tasks – as defined by our Software Engineering Process. When

managing a large project, the Project Leader needs to have a good handle on all the costs being incurred at an Activity Level and to know what is driving these costs. For example, Cost of Quality may be high because the Standard adopted for the Project may have inaccuracies leading to problems during testing. Our ABC system directs the attention of the project leadership to non value adding costs, thus helping in improving the efficiency and also in building an estimation benchmark for each activity.

The successful implementation of this method of tracking costs across the enterprise has enabled Project Leaders not only to know their costs but also to identify levers which could be used to improve the efficiency of activities that are being performed. This in turn has been used to set up benchmarks for efficiency across the organization and helped the Company deliver many landmark turnkey projects globally.

One pillar of building a performance oriented culture has been the ability to extend projects-level assessments to evaluate the performance of Business Units. Projects are the building blocks of this enterprise - not only are they a sub-set of the overall customer account, but also of a part of Regional and Practice balance sheets. This required us to expand the system to create a multi-dimensional picture. Project data became the essential building block for assessing customer profitability, regional profitability, and practice profitability.

In turn, this ability to analyze the efficiency of the Company, project by project, helped us introduce a variable program based on the Economic-Value Add concept (EVA) in the late 1990s, as the basis of an incentive program for our employees. The EVA program aims for continuous improvement around which incentives are structured. Such a program could not have been implemented without training people on drivers which enhance value on a sustained basis from the project-level onwards. Thus, a desire to understand project cost through Activity Based Costing became the building block for employee incentives through EVA. It was also the key to help enhance value being created in a Business Unit like a large customer account, which is in itself, an aggregation of projects for that Customer. A variable incentive program based on Corporate, Business Unit and Individual performance was measured by capturing the EVA in a business unit.

Simultaneously, the organization developed Balanced Score Card to track functions and their organizational effectiveness and alignment. Using our Top Ten by 2010 strategy map and developing linkages among Finance, Customer Relations, Internal Processes, and Learning and Development, we developed the drivers which enable the desired result in each category to be achieved, and created the lead and lag indicators to track these. We also developed a set of cascading Balance Score Cards – at the level of Customer, Delivery, Geography and Corporate Management and other functions throughout the enterprise.

At the macro level, there is a rigorous and comprehensive annual financial planning process to ensure that the entire organization is completely aligned behind the business and financial goals of the Company. The Finance function coordinates and drives the detailed planning process linking the demand generation position to the delivery capability, factoring in market size and growth, our competitive positioning, and our improvement in goals and targets.

Financial planning at TCS is a twin process - bottom up and top down. The process begins with the sales arms of TCS that are located in various geographies. Detailed plans are developed on a region-by-region basis as these sales arms plan their positioning and volume, based on the market potential. These plans are then linked and validated against both service line and top account plans to ensure alignment among all internal stakeholders.

These plans factor in appropriate investments in marketing and selling expenses to ensure the support necessary to drive the creation of demand through branding and events. Finance provides the data support when determining the growth, in capturing the assumptions on which the growth strategy is based, and in monitoring not just the performance, but also the movement of key drivers.

While TCS continues to eschew guidance, we believe that internally the Company is ready to deliver certainty and confidence to the investment community that our growth will continue to be in line with the market potential.



N. Chandrasekaran
Head - Global Sales & Operations

Behind 'Experience certainty'

In today's competitive global market, adoption of technology has become a fundamental imperative for corporations to sustain their competitive advantage in the marketplace. Faster technology deployment, availability of systems and their reliability, flexibility to respond to changes in the business environment are essential demands by businesses the world over. As individuals, we take many things for certain. Why should IT systems in corporate environments be any different? As a mobile phone customer, we wouldn't be happy with anything less than 24x7 service. But when it comes to their IT, corporations often have had to live with much less certainty – in terms of time, costs, schedules and quality.

With over 38 years of experience in providing IT Services, Business Solutions and Outsourcing services, 'Experience certainty' is what we promise our customers today. We have been front-runners in providing these services in a unique global delivery model to leading global corporations by partnering with them. 'Experience certainty' is not a recent realization for us; it is a philosophy that we have been relentlessly pursuing for years. We have institutionalized this philosophy over time and established its credibility. Today, several of the world's best known businesses depend on TCS for this certainty. Most importantly, the Company has built a fine track record of excellence to earn this distinction.

For customers, the proposition of 'certainty' is a multi-dimensional one. When TCS states that it has a 99.6 % on time delivery record, it represents only one of the dimensions of delivery. We have evolved a number of other dimensions like quality expressed in terms of defect-free software, availability of systems, the ability to deliver systems within budget, total cost of ownership, faster time to market, etc.. TCS has focused on delivering value to its customers in all these dimensions and has been measuring its performance over several years. Today, the Company is delivering best-in-class performance in all these dimensions.

TCS has three unique pivotal strengths that help global customers experience certainty.

- First, our unified quality model serves as the framework that helps us provide the same consistent level of quality whether it is from India, China or Chile. With the result, our customers experience 'One Global Service Standard'
- Second, is our Global Network Delivery Model™ (GNDM™) that harnesses clusters of knowledge and specialized competencies globally
- Third, our integrated full services capability that helps us address complex business needs of today's enterprises

Our Integrated Quality Management System (iQMS) provides us an agile quality framework having the flexibility to adapt to emerging new services. iQMS has emerged as a unified quality model that encapsulated the best-of-breed practices from a range of complementary standards and methodologies. It helps us to integrate processes across software development, people management and security deployment, and to eliminate the risk of redundancy in processes.

Our Global Network Delivery Model™ (GNDM™) represents a next generation delivery philosophy. TCS has invested in setting up global scale delivery centers in locations like India, China, and Brazil, integrated with a network of smaller regional and local delivery centers. This allows us to provide a seamless delivery experience to our customers, and is a key component of our 'Experience certainty' promise.

Finally, TCS has one of the most complete portfolio of services spanning business consulting, information technology, business process outsourcing, infrastructure, and engineering. This allows us to serve global leaders across industries – Financial Services, Retail, Telecommunications, Manufacturing, Hi-Tech Industry, Pharma & Life Sciences, Travel & Hospitality, Utilities and Public Services/ Government. Having a full-services portfolio

strengthens our ability to deliver on the 'Experience certainty' promise across a significant spectrum of the requirements of our clients.

From a TCS perspective, 'Experience certainty' reiterates TCS' pioneering role in the industry and brings total transparency in the delivery metrics. It helps us unambiguously promise our intent and demonstrate our delivery track record to our clients. Our commitment to delivering 'certainty' is demonstrated in our ability to adapt to the dynamic business environment in which our customers operate. We continue to embrace change and enrich our processes that give us an ability to offer new business and operating models.



S Padmanabhan
Head - Global Human Resources

Delivering certainty to employees

Over 85,000 TCsers, distributed globally, are the key ingredient that helps customers experience certainty when they engage with TCS anywhere in the world. And as nurturing new talent emerges as the single biggest challenge for global business today, TCS is leveraging its strong links with academia to remain in prime position to acquire and retain the best talent while simultaneously casting its net ever wider to develop new sources of talent in India and overseas.

TCS continues to be among the largest employers in the private sector in India. We added 32,000 employees in 2006-07 and have already made over 12,000 campus offers for students to join the Company in the next fiscal year. What is more heartening from a shareholder standpoint, is that the Company, despite its size, has the best track record of retaining people in the industry and has been able to remain the employer of choice on engineering campuses because of our best-in-class sourcing and recruitment programs.

In an industry which is plagued by attrition, TCS continues to clock the lowest attrition figure for the third consecutive year with an attrition rate of 11.3%, including BPO, during the year. High retention has been achieved by continuously upgrading competencies of the employees while our focused initiatives aimed at creating a work-life balance also serve as a powerful tool to increase retention. Moreover, a well-designed job rotation policy offers employees the opportunity to work on and get exposure to multiple technologies, industry domains and global markets. The Company continues to be rated highly by employees and it won the Dataquest award for the Best Employer in the IT industry for the third consecutive year.

The success of the recruitment and training engine at TCS has given us the ability to provide certainty to our employees –certainty that their global aspirations and career growth paths are as important to the organization as they are to the individual employee. And this is being executed through a world-class Talent Management program that includes compensation and rewards & recognition structure based on performance, competency and experience.

To enhance the availability of talent, the Company is going beyond Tier I and Tier II cities. Using our holistic, objective and data-based process of college accreditation, we have been able to develop an increasing number of colleges along with their faculty and students which has helped us to recruit the best quality talent from over 300 colleges including a considerable number from Tier III cities in India. We have opened up the talent availability pool further by tapping science and maths graduates through an innovative program. Called 'Ignite', it is a seven-month residential training program that converts science students into software engineers through a special focus not only on software but also other skills to create global-ready professionals. The strong long-term relationships with academia have helped us create a robust sourcing ecosystem within the country.

Alongside ensuring availability, it is also critical for the Company to invest in enhancing employability by making investments in learning and development through all stages of the employee development lifecycle. TCS continues to foster certification programs to create 'tomorrow's professionals' and to equip them with the right balance of cross-disciplinary skills, analytical mindset and innovative approach to problem solving. A comprehensive approach to competency development at all levels of the organization has been a thrust area in talent management at TCS. With the objective of becoming a role-based organization, TCS launched the Integrated Competency and Learning Management System (ICALMS) last year to create a single, digital window for learning, delivery, competency management and skill assessment. This integrated system facilitated a one-stop shop for all the learning and competency development needs of the employee.

As TCS continues to build a multi-cultural global workforce – 9.6% of its employees were overseas nationals at the end of 2006-07 – it has created an enriched work environment that appreciates and embraces diversity and operates in an inclusive atmosphere of collaboration and excellence. Increased recognition as an equal opportunity player has helped TCS emerge as an employer of choice globally, while our efforts to

replicate our successful academic interface program globally as well as new initiatives like a Global Internship Program have enhanced the Company's ability to attract talent across the US, Europe, Asia and Latin America.

As our global workforce grows, TCS is investing in setting up training centers outside India as well as expanding its learning and development campus in Trivandrum. After setting up training centres in the US, China and Hungary, our new training centre in Uruguay will serve as a training platform to upgrade the technology skills of the Company's employees in the Latin American region.

TCS' global workforce is also growing due to strategic acquisitions in India and other geographies, driven by synergistic growth opportunities for the Company. This is also adding a new dimension to the management of the Company's diverse talent pool with employee integration as the driver for delivering the synergistic value of the acquisitions. The Corporate Growth Initiative is a new Human Resources programme that allows us to play a strategic role in mergers and acquisitions and act as a change agent to facilitate employee communication and culture fitment and create a single organizational value system among all employees.

As TCS emerges as a scale player, not only in India, but across the world, building systems to manage scale is a key challenge for HR professionals in TCS going forward. A digital organization is the answer that can help manage the challenges of scale and TCS is investing to build the digital enterprise and integrate its HR processes, systems, functions and initiatives. All this only helps provide certainty to our customers that they are getting access to the finest global talent, while employees can be sure that their career growth and global aspirations are firmly locked on to the Company's radar.



P A Vandrevala
Head - Corporate Affairs

Building brand TCS through experience of certainty

Going through this Annual Report, the dominant theme shareholders would notice is the one of certainty. In the fourth quarter of this financial year, TCS embarked on a new initiative by articulating its new brand promise to the entire world – Experience certainty. In the process, it has once again assumed a pioneering role in building the brand image of the modern Indian corporation, which is global in belief, mind-set and capabilities and is benchmarked with the best in the world.

This organization has always been known as the pioneer of the Indian IT industry – paving the way for others to follow, creating the 'disruptive model' of off-shore IT development that today has become the global norm, entering new markets like Latin America and China and above all creating a business reputation and atmosphere for Indian skills, talent and knowledge to succeed in an ever-competitive global economy.

This first-ever global brand campaign by an Indian corporation reflects not only the increased confidence and posture of India Inc. on the global stage, but also coincides with the arrival of TCS as among the top 10 IT companies in the world, in terms of market capitalization, profits and the number of employees. The campaign is part of TCS' overall marketing campaign to build its brand in key markets and compete worldwide from a brand perception and recognition perspective with the global IT firms as well as on the ground, where the Company is already making an impact on customers' business vis-à-vis our competitors. Throughout the next 12-18 months, TCS' new brand campaign will be presented to the world through leading global media outlets like the Financial Times, The Wall Street Journal among others, as well as leading Indian media outlets.

The new brand assurance - Experience certainty - is a crisp articulation of what TCS offers the world. This commitment to the brand assurance of certainty is embedded in everything it does. It is more than a label - it represents TCS' ability and commitment to delivering projects in time and on quality for our customers. It also expresses an assurance to the customers, partners, staff and society at large and encompasses what TCS stands for in the conduct of its business.

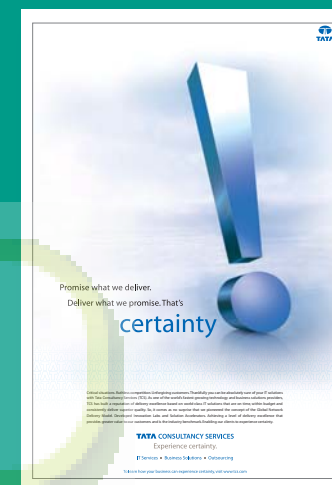
This advertising campaign highlights the strength of TCS' commitment to Experience certainty. Our customers like ABN Amro Bank, UK's National Grid, Italy's Ferrari among others have agreed to endorse the brand articulation, which is proof that the assurance is one TCS makes – and keeps – for its customers every day.

The global marketing and brand building image goes beyond advertising campaigns. One important part is the internal branding piece, which helps to familiarize and internalize the brand promise throughout this 85,000-strong organization. This is being rolled out and cascaded through the organization across over 40 countries using a combination of physical and digital methods and using the many channels of employee communications that exist to create and nurture a close alignment of the Company's brand promise and its brand ambassadors – the employees who interact with customer organizations every day.

One sub-set is an aggressive external communications campaign, which is reaching out to influencers in different markets, be they be in academia and think-tanks, governments and the media. The aim is to bring into focus, not only the great strengths of this Company as a global player but also India as a global base for extracting the best talent and skills for any globally competitive company. Accompanying this global charge is a set of new collateral that help spell out the benefits of certainty to all the stakeholders through a cutting-edge, redesigned website, customer case studies and other collateral.

Another key piece of this global image building exercise has been the creation of an independent board of directors. As you would have seen in the photograph in the initial pages of this Report, TCS now has an expanded eight-member board featuring luminaries from across the world with the exception of the Chairman, Mr Tata and the CEO, Mr Ramadorai, all other members are independent.

The independent directors bring their varied business experience across industry and markets to the deliberations at TCS' Board.



The Company's business strategy benefits from the enormous experience of directors like Aman Mehta, former global HSBC chief, Ron Sommer, former chairman of Deutsche Telecom as well as academic guru Clay Christensen of the Harvard Business School, Naresh Chandra, one of India's most distinguished bureaucrats, and V. Thyagarajan, head of GlaxoSmithKline in

Asia as well as Laura Cha, a highly-respected financial services regulator from Hong Kong.

The Company believes that these marketing initiatives will provide the foundation for future growth by making the TCS name as well known outside India as it is in the country.

Historians writing in the future about the pre-eminent position of the Indian IT industry worldwide or for that matter, the emergence of India as an economic power on the global stage will, no doubt, refer to 2006-07 as one of the turning points in terms of image building, led by none other than your Company. Once again, as in the past, TCS is leading the way globally for a whole new generation of Indian corporations to follow.



Global News

North America

The level of certainty that North American customers experience when working with TCS is what continues to propel the company forward. In 2006-07, North American revenues grew 29% - a strong performance made possible by the energy and effort of the 12,000 TCS employees working in over 40 offices in the United States and Canada who are seamlessly integrated into our Global Network Delivery Model™. As we leveraged our GNDM™, we improved our offshore leverage further contributing to our overall profitability.

We made considerable progress in our academic interface program, building relationships with some of the most prestigious academic institutions in the US and Canada. This program continues to help us in our collaborations with academia and recruitment of top talent as we continue to diversify our employee base. We also launched our Co-Innovation Network in Silicon Valley, bringing together research resources and innovation capabilities of global academic institutes, venture capital funds, start-up companies, TCS alliance partners and multi-lateral bodies in a collaborative structure to deliver new standards of innovation. Our successful Annual Customer Summit attracted more than 200 CIO and VP level customers. Held at Monterey, California, it served as a platform for customers to network with their peers, and with TCS executives and industry experts to gain valuable insights on new technologies and best practices.

Additionally, we have received a number of external validations of our work. This year Global Services magazine ranked TCS as the top IT services provider, we received the 2006 Frost & Sullivan Company of the Year Award, TCS was the highest ranked Indian firm on the American Banker FinTech 100, and was also the highest ranked Indian IT services company in BusinessWeek's annual IT 100.

Europe and United Kingdom

TCS Europe continues to penetrate into fast maturing off-shoring markets like Germany, Benelux and the Nordics, using delivery centers in Hungary and Luxemburg as two spokes of our GNDM™. Our acquisition of TKS Teknosoft has given us new customers and ready access to markets in France and Switzerland.

In the UK and Ireland, we have expanded into a network of offices and started an Innovation Lab in Peterborough. In the UK, we have also set up a BPO subsidiary, Diligentia Ltd., which employs over 900 persons. The Peterborough lab acts as a 'hub' for the global Co-Innovation Network in the UK, encouraging collaborations between customers, academic, global alliance partners, start-ups and venture capitalists.

The TCS Global Consulting Practice in the UK and continental Europe is growing rapidly, offering high value services both to existing customers and bringing in new customers with offerings that include Enterprise Solutions, Utility Computing, Test Factory and IT Governance. Infrastructure Services and BPO are also key growth areas.

IberoAmerica

TCS Iberoamerica closed 2006-07 with close to 5,000 employees in the region, with revenues up 150% over the previous year, and is well positioned as one of the fastest growing, top tier IT services firms in Latin America. Our Global Delivery Centers in Uruguay, Brazil and Chile in particular, continued to ramp up rapidly over this financial year.

We started a Regional Training Facility in Montevideo, Uruguay to train up to 1,000 persons a year from countries across Latin America. Our new Colombia office, inaugurated in June this year, has developed rapidly into a significant operation with over 120 persons situated in Bogota and has major customers in the

country. In Ecuador, TCS secured one of the largest integrated IT and BPO services contracts worth US\$ 140 million from Banco Pichincha, headquartered in Quito. The acquisition of Comicro in Chile (now TCS BPO Chile) in November 2005 has been extremely successful. In this financial year we have not only consolidated our operations in Chile but also grew them by over 60% over the last year figure. TCS Iberoamerica has been named among the top 10 technology companies by a large regional publication for its significant impact and contribution over the last 10 years (1996-2006) in Latin America.

Asia:

From Adelaide to Abu Dhabi, Asia is fast emerging as a growth market for TCS for sales and delivery. Our new joint venture in China kicked off in early 2007 and is now scaling up its operations on the back of some significant new engagements from Chinese financial institutions. We continue to develop relations with Chinese universities to hire and train science and engineering graduates for TCS China. We have created a new structure for delivery of projects for the Japanese market with the setting up of a hub in Kolkata called the Japanese Overseas Development Centre that will supplement and collaborate with our centers in Yokohama and Hangzhou, China. In the rest of the region, from Singapore to Saudi Arabia, our ability to deliver certainty to customers is driving growth and enhancing our brand in these markets.

India continues to be a critical market for TCS. The Company has been involved in the development of the country's financial infrastructure like stock exchange systems, depository and tax information systems. This trend continues and we are involved in building out the next generation of technology-led infrastructure in the country through mission-critical projects like MCA-21 to enable electronic information filing by the companies registered in India as well as other landmark projects.

Awards

Some of our achievements in the past year



Board of Directors

R N Tata (*Chairman*)

S Ramadorai (*CEO and Managing Director*)

Aman Mehta

Naresh Chandra

V Thyagarajan

Clayton M Christensen

Ron Sommer

Laura M Cha

Company Secretary

S H Rajadhyaksha

Statutory Auditors

S B Billimoria & Co.

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US GAAP Auditors

Deloitte Haskins & Sells

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Management Team

Function	Name
Corporate	
CEO & MD	S Ramadorai
CFO	S Mahalingam
Corporate Affairs	Phiroz Vandrevalla
Global Sales & Operations	N Chandrasekaran
Global Human Resources	S Padmanabhan
Geography Heads	
North America	Surya Kant
United Kingdom	A S Lakshminarayanan
Europe	Girish Ramachandran
Asia Pacific	Girija Pande
	Johnson Lam
	Masahiko Kaji
Iberoamerica	Gabriel Rozman
MEA	Manoj Sahai
India	S Venkatramani
Governance Functions	
Marketing	J V Pendharkar
	Keith Sharp
	John Lenzen
	Jim Thomas
R & D	K Ananthakrishnan
	Mathai Joseph
	K V Nori
	M Vidyasagar
	Gautam Shroff
	Sunil Sherlekar
	Harrik Vin
Human Resources	Ritu Anand
	Ashok Mukherjee
	K Ganesan
	Thomas Simon
	Jyoti Srivastava
Information Systems	Alok Kumar
	Bandana Sinha
Legal	Satya Hegde
	Madhav Anchan
Administration	G George
Finance	B Sanyal
	V Ramakrishnan
	Pauroos Karkaria
	Alberto Arana
Company Secretary	S H Rajadhyaksha

Function	Name
Industry Practices	
Banking & Financial Services	N G Subramaniam J R Bhandari Ravi Shah
Insurance	K Padmanabhan Usha Lakshmanan
Telecom	N Sivasamban
Government	Tanmoy Chakrabarty
Healthcare & Life Sciences	J Rajagopal
Energy & Utilities	Ajoyendra Mukherjee
Retail	Pratik Pal
Media Entertainment	Edward Altman
Travel & Hospitality	G Srinivasa Raghavan
Service Practices	
Engineering and Industrial Services	Regu Ayyaswamy
Business Process Outsourcing	Milind Kamat V K Raman
Enterprise Solutions	Hasit Kaji Raj Agarwal
Technology Solutions	Anita Nanadikar
Infrastructure Services	P R Krishnan
Business Intelligence	Santosh Mohanty
Consulting	George Bacon Arun Agarwal V Ramaswamy
Migration/Re-engineering Solutions	Sudheer Warriar
Security	R K Raghavan Sanjay Bahl
System Integration/Outsourcing	B Gopal
Assurance Service	Satish Thiagarajan
Products	
	N G Subramaniam Pradipta Pandit R Vivekanand Sanjay Bhanot Manoj Govel
Global Delivery	
	Ravi Viswanathan Susheel Vasudevan Nagraj Ijari Abid Ali Debashis Ghosh Ajoyendra Mukherjee V Rajanna Carol Wilson Satish Varma K Subramanian

Notice

Notice is hereby given that the twelfth Annual General Meeting of Tata Consultancy Services Limited will be held on Friday, June 29, 2007 at 3.30 p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020 to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2007 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.
2. To confirm the payment of Interim Dividends for the year 2006-07 and to declare a Final Dividend for the year 2006-07 on Equity Shares.
3. To appoint a Director in place of Mr. Aman Mehta, who retires by rotation, and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Naresh Chandra, who retires by rotation, and being eligible offers himself for re-appointment.
5. To appoint Auditors and fix their remuneration.

6. **Appointment of Dr. Ron Sommer as a Director of the Company**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that Dr. Ron Sommer who was appointed by the Board of Directors as an Additional Director of the Company with effect from September 5, 2006 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

7. **Appointment of Mrs. Laura M. Cha as a Director of the Company**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that Mrs. Laura M. Cha who was appointed by the Board of Directors as an Additional Director of the Company with effect from November 2, 2006 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 260 of the Companies Act, 1956 ("Act") and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Act proposing her candidature for the office of Director of the Company, be and is hereby appointed a Director of the Company."

8. **Retirement benefits to Managing/Whole-time Directors**

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that sanction be and is hereby accorded to the payment of retirement benefits to Managing/Whole-time Directors of the Company on their retirement, which benefits, as set out in the Explanatory Statement hereto, will only be provided to them at the discretion of the Board in each individual case on the recommendation of the Remuneration Committee of the Board, and which benefits are subject to the terms and conditions set out in the Explanatory Statement."

9. **Place of keeping and inspection of the Registers and Annual Returns of the Company**

To consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED that in supersession of the Special Resolution passed at the tenth Annual General Meeting of the Company held on July 19, 2005 and pursuant to Section 163 of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force) ("Act"), the Company hereby approves that the Registers and Indexes of Members, the Registers and Indexes of Debenture holders, if any, and copies of all Annual Returns prepared under Section 159 of the Act together with the copies of certificates and documents required to be annexed thereto under Section 161 of the Act or any one or more of them be kept at the office of the Company's Registrar and Share Transfer Agents viz. TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011."

10. Appointment of Branch Auditors

To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956 ("Act"), the Board be and is hereby authorized to appoint as Branch Auditors of any branch office of the Company, whether existing or which may be opened/acquired hereafter, in India or abroad, in consultation with the Company's Auditors, any person(s) qualified to act as Branch Auditor within the provisions of Section 228 of the Act and to fix their remuneration."

Notes:

1. The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Item Nos. 6 to 10 above, are annexed hereto. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment/re-appointment as Directors under Item Nos. 3, 4, 6 and 7 above, are also annexed.
2. **A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.** Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolution/authority, as applicable.
3. The Register of Members and Transfer Books of the Company will be closed from Tuesday, June 19, 2007 to Friday, June 29, 2007, both days inclusive. If the final dividend as recommended by the Board of Directors is approved at the meeting, payment of such dividend will be made on or after June 30, 2007 as under:
 - a) To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (India) Limited as of the close of business hours on June 18, 2007;
 - b) To all Members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on June 18, 2007.
4. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of the dividend. The Company or its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
5. Members holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents, TSR Darashaw Limited. Members holding shares in electronic form must send the advice about change in address to their respective Depository Participant only and not to the Company or the Company's Registrar and Share Transfer Agents.
6. For Shareholders of erstwhile Tata Infotech Limited ("TIL"):
Pursuant to Sections 205A and 205C of the Companies Act, 1956, all unclaimed/unpaid dividend, application money, debenture interest and interest on deposits as well as the principal amount of debentures and deposits (relating to the erstwhile TIL) as at March 31, 2007 remaining unpaid or unclaimed for a period of 7 years from the date they became due for payment, have been transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government. Members are requested to contact the Company's Registrar and Share Transfer Agents, for payment in respect of unclaimed/unpaid dividends declared by the erstwhile TIL on or after August 13, 2001.

By Order of the Board of Directors,

S.H. RAJADHYAKSHA
Company Secretary

Mumbai, April 16, 2007

Registered Office:

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

Explanatory Statement

Pursuant to Section 173(2) of the Companies Act, 1956

As required by Section 173 of the Companies Act, 1956 ("Act"), the following explanatory statements set out all material facts relating to the business mentioned under Item Nos. 6 to 10 of the accompanying Notice dated April 16, 2007.

1. Item Nos. 6 and 7:

Dr. Ron Sommer and Mrs. Laura M. Cha were appointed as Additional Directors of the Company on September 5, 2006 and November 2, 2006 respectively. As per the provisions of Section 260 of the Act, the two Directors hold office only up to the date of the forthcoming Annual General Meeting of the Company, and are eligible for appointment as Directors. The Company has received notices under Section 257 of the Act, in respect of the candidates, proposing their appointment as a Director of the Company, along with the requisite deposit.

Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the Annexure attached to the Notice. Keeping in view the experience and expertise of these persons, their appointment as Directors of the Company is recommended.

Each of the two Directors may be deemed to be interested in the resolution relating to his/her own appointment.

2. Item No. 8:

At its meeting held on April 16, 2007, the Board of Directors approved the Scheme for payment of retirement benefits to its Managing Director (MD)/Whole-time Directors (WTD) under which certain benefits could be provided to the MD/WTD of the Company on their retirement as MD/WTD of the Company.

The benefits to be provided to the retiring MD/WTD will be at the discretion of the Board in each individual case based on the recommendation of the Remuneration Committee appointed by the Board and subject, inter alia, to the condition that the retiring MD/WTD undertakes not to engage in or start, directly or indirectly, any business or activity competing with the business of the Company.

The retirement benefits may include compensation in the nature of a monthly payment related to the last drawn salary and the length of service with the Tata Group (subject to indexation), and on the death of the Director, a portion thereof to the spouse for life time; ex-gratia payment, related to the length of service; medical benefits; residential accommodation only for the MD during his/her life time or, in the alternative, payment of monetary compensation in lieu of the accommodation; on such terms and conditions as may be decided by the Board.

It is considered appropriate as a measure of good corporate practice, that the Members' approval be sought to the said payments.

The Resolution is commended for approval by the Members.

Mr. S. Ramadorai, Managing Director of the Company, to the extent that he may be entitled to these benefits, may be deemed to be concerned or interested in the resolution at Item No. 8 of the Notice.

3. Item No. 9:

As per the provisions of Section 163 of the Act, approval of the Members by way of a special resolution is required for the Company to have its Register of Members, Index of Members, the Register and Index of Debentureholders, copies of all Annual Returns prepared under Sections 159 and 160 of the Act, together with the copies of certificates and documents required to be annexed thereto, to be kept at a place other than the Company's Registered Office, but within the same city, town or village where the Registered Office of the Company is situated.

The Members had, at the tenth Annual General Meeting of the Company held on July 19, 2005, passed a Special Resolution approving the keeping of the above mentioned documents at the office of the Company's

Registrar and Share Transfer Agents, which was then located at Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001.

The Company's Registrar and Share Transfer Agents viz. TSR Darashaw Limited (formerly known as Tata Share Registry Limited) have shifted their office to 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.

Approval of the Members is sought to keep the aforesaid documents at the office of the Company's Registrar and Share Transfer Agents viz. TSR Darashaw Limited at 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011. A Special Resolution under Item No. 9 of the Notice is, therefore, proposed for approval of the Members.

The Board commends the Resolution for approval of the Members.

None of the Directors is concerned or interested in the Resolution at Item No. 9 of the Notice.

4. Item No. 10:

The Company has branches in India and abroad and may also open/acquire new branches in India and abroad in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branches. The Members are requested to authorize the Board of Directors of the Company to appoint branch auditors in consultation with the Company's Auditors and to fix their remuneration.

The Board commends the Resolution for approval by the Members.

None of the Directors is concerned or interested in the Resolution at Item No. 10 of the Notice.



By Order of the Board of Directors,

S.H. RAJADHYAKSHA
Company Secretary

Mumbai, April 16, 2007

Registered Office:

Bombay House,
24, Homi Mody Street,
Mumbai 400 001.

Details of Directors Seeking Appointment at the Annual General Meeting

Particulars	Mr. Aman Mehta	Mr. Naresh Chandra	Dr. Ron Sommer	Mrs. Laura M. Cha
Date of Birth	September 1, 1946	August 1, 1934	July 29, 1949	December 5, 1949
Date of Appointment	May 5, 2004	August 19, 2004	September 5, 2006	November 2, 2006
Qualifications	Bachelor's degree in Economics from Delhi University	Master of Science in Mathematics from Allahabad University and a retired IAS Officer	PhD in Mathematics	B.A., J.D. (Juris Doctor i.e. Doctor of Law)
Expertise in specific functional area	Wide experience in Banking & Finance	Retired senior bureaucrat in the Government of India	Wide experience in Telecom and Business	Wide experience in Law, Banking and Securities Markets
Directorships held in other Public companies (excluding Foreign companies)	<ul style="list-style-type: none"> Wockhardt Pharmaceuticals Limited Jet Airways Limited Max Healthcare Institute Limited Godrej Consumer Products Limited Cairn India Limited 	<ul style="list-style-type: none"> Hindustan Motors Limited Bajaj Auto Limited Balrampur Chini Mills Limited Electrosteel Castings Limited ACC Limited AVTEC Limited Cairn India Limited Great Offshore Limited 	Nil	Nil
Memberships/ Chairmanships of committees of other Public companies (includes only Audit Committee and Shareholders/ Investors Grievance Committee)	<p>Audit Committee</p> <ul style="list-style-type: none"> Wockhardt Pharmaceuticals Limited Jet Airways Limited@ Max Healthcare Institute Limited Godrej Consumer Products Limited Cairn India Limited @ <p>Shareholders/Investors Grievance Committee</p> <ul style="list-style-type: none"> Wockhardt Pharmaceuticals Limited 	<p>Audit Committee</p> <ul style="list-style-type: none"> Hindustan Motors Limited@ Balrampur Chini Mills Limited Bajaj Auto Limited Electrosteel Castings Limited ACC Limited Cairn India Limited <p>Shareholders/ Investors Grievance Committee</p> <ul style="list-style-type: none"> Bajaj Auto Limited Balrampur Chini Mills Limited Cairn India Limited 	Nil	Nil
Number of shares held in the Company	Nil	Nil	Nil	Nil

@ Chairman of the Committee

Directors' Report

To the Members,

The Directors submit the Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2007.

1. Financial Results

		Financial Year	
		2006-2007 (Rs. in crores)	2005-2006 (Rs. in crores)
(i)	Income from Sales and Services	14939.97	11230.50
(ii)	Other Income	216.55	63.26
(iii)	Total Income	15156.52	11293.76
(iv)	Operating Expenditure	10639.00	7957.54
(v)	Profit before Depreciation, Interest and Tax	4517.52	3336.22
(vi)	Interest	3.43	4.49
(vii)	Depreciation	343.41	257.38
(viii)	Profit before Taxes	4170.68	3074.35
(ix)	Provision for Taxes	413.39	357.48
(x)	Net Profit for the Year	3757.29	2716.87
(xi)	Balance Brought Forward from Previous Year	2833.30	1005.47
(xii)	Amount transferred on amalgamation of companies	—	136.16
(xiii)	Amount Available for Appropriation	6590.59	3858.50
Appropriations			
(a)	Interim Dividends	733.95	432.10
(b)	Interim Dividends - Tata Infotech Limited	—	8.27
(c)	Proposed Final Dividend	391.44	220.19
(d)	Tax on Dividends	169.48	92.64
(e)	General Reserve	375.73	272.00
(f)	Balance carried to Balance Sheet	4919.99	2833.30

(1 crore = 10 million)

2. Issue of Bonus Shares and change in Paid-up Share Capital

Pursuant to the resolution passed by the Members at the Annual General Meeting of the Company held on June 29, 2006 approving the issue and allotment of Bonus Shares in the ratio of 1:1, allotment of 48,93,05,249 equity shares of Re. 1/- each of the Company was made on August 9, 2006. This resulted in the paid-up equity share capital of the Company increasing from Rs. 48,93,05,249 to Rs. 97,86,10,498 consisting of 97,86,10,498 equity shares of Re. 1/- each.

3. Dividend

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the Members a Final Dividend of Rs. 4/- per share on 97,86,10,498 equity shares of Re. 1/- each of the Company for the financial year 2006-07. The Final Dividend, if declared as above, would involve an outflow of Rs. 391.44 crores towards dividend and Rs. 66.53 crores towards dividend tax, resulting in a total outflow of Rs. 457.97 crores. A table on the dividends paid by the Company during the year and the dividends paid during the previous year is given below:

(Rs. in Crores)

	2006-07					2005-06		
	No. of shares	Dividend per share (Rs.)	Dividend Amount	Dividend Tax	Total Outflow	No. of shares	Dividend per share (Rs.)	Total Outflow (incl. Dividend Tax)
First Interim Dividend	48,93,05,249	3.00	146.79	20.59	167.38	48,01,14,809	3.00	164.23
Second Interim Dividend	97,86,10,498	3.00	293.58	41.18	334.76	-do-	3.00	164.23
Third Interim Dividend	-do-	3.00	293.58	41.18	334.76	-do-	3.00	164.24
Sub-total	-	-	733.95	102.95	836.90	-	-	492.70
Final Dividend	97,86,10,498	4.00	391.44	66.53	457.97	48,93,05,249	4.50	251.07
Total	-	-	1125.39	169.48	1294.87	-	13.50	743.77

The dividend for 2006-07 translates to a total dividend of Rs. 23/- per share on the pre-bonus capital as against Rs. 13.50 per share paid last year.

4. Transfer to Reserves

The Company proposes to transfer Rs. 375.73 crores to the General Reserve out of the amount available for appropriations and an amount of Rs. 4919.99 crores is proposed to be retained in the Profit and Loss Account.

5. Operating Results and Business

The Company continued to see strong and profitable growth in the financial year 2006-07 across all markets driven by good performance in existing and new areas of business.

For the year ended March 31, 2007, the Company earned a total income of Rs. 15156.52 crores an increase of 34.20% over previous year's Rs. 11293.76 crores. As per the Consolidated Accounts the total income was Rs. 18914.26 crores an increase of 41.38% over the previous year's Rs. 13377.88 crores.

The net profit of the Company for the year increased to Rs. 3757.29 crores (24.79% of the total income) as compared to Rs.2716.87 crores (24.06% of total income) in the previous year. As per the Consolidated Accounts the net profit for the year was Rs. 4212.63 crores (22.27% of total income) as compared to Rs. 2966.74 crores (22.18% of total income) in 2005-06.

The Company is amongst the leading IT companies in the world and continues to retain its leadership position in the Indian IT Industry. The Company has provided effective business solutions to Global and Indian companies by leveraging its domain knowledge across industry verticals, excellence in technology and robust processes. It has continued to win new engagements and grow existing relationships in the traditional area of Application Development and Maintenance and is strengthening its presence in areas such as Consulting, Infrastructure Management Services, Asset Based Solutions, Engineering & Industrial Services, IT Enabled Services and Business Intelligence Services. These higher-value businesses, in the opinion of the Company, have significant potential to scale up in the next five years.

The Company's continued investments in innovation and technology have enabled it to undertake a number of large, end-to-end, mission critical projects in diverse business areas and technology domains.

The Company has 148 offices globally. In addition, the Company also has Delivery Centres in a number of countries. Major Delivery Centres outside India are in Hungary, Brazil, Chile, Uruguay and China. The Company services the needs of its global clients by linking the clients to one or more of these Delivery Centres. Through the establishment of Delivery Centres in different parts of the globe with the same high quality processes and by enabling customers to make use of a group of these Centres depending on their needs, TCS has pioneered the Global Network Delivery Model™, which the customers see as a key differentiator.

The USA continued to be the largest market and contributed 52.43% to the Company's consolidated revenues while other established markets like the UK and Europe contributed 28.48% of the consolidated revenues. The Company's decision to invest in emerging markets like Latin America and Asia Pacific is yielding results with these markets contributing 3.85% and 4.78% respectively to the consolidated revenues of the Company. India remains a strategic market for the Company and continues to demonstrate growth in absolute terms.

Diligenta Limited, the subsidiary in the UK, which was set up last year to focus on services in the life insurance and pensions BPO market in the UK, has expanded its services and has started work on the complete administration of policies falling under the closed Life and Pensions of Pearl Assurance. This operation is being controlled from Peterborough, UK.

Among the industry verticals, the banking, financial services and the insurance sector contributed 43.89% of consolidated revenues on the back of large product-based engagements in core banking and strong demand for the Company's capital markets and insurance products and solutions. The manufacturing sector, which contributed 12.72% of the Company's consolidated revenues, is being driven by demand for enterprise solutions like ERP and engineering services. Other significant verticals include life sciences & healthcare, retail, telecom and utilities. A significant number of existing customers are now engaging the Company for more than one service offering.

6. International Credit Rating

The Company continues to have from Moody's Investors Services, an investment-grade issuer rating of A3 as well as an indicative foreign currency debt rating of Baa1, with the ratings outlook as stable. The rating is not for any specific debt issuance by TCS.

The Company has also been rated by Dun & Bradstreet at 5A1 (Condition-Strong).

7. Branding Initiative

In line with its global ambitions, the Company has embarked on a major brand building initiative in order to articulate and propagate its new brand positioning. This campaign is intended to increase awareness of the Company in the global marketplace, as well as differentiate its capabilities from its competition.

The brand rollout is being carried out both externally, as well as internally within the Company. The internal rollout is being undertaken to bind the diverse, global workforce of the Company around a common brand promise.

8. Strategic Acquisitions and Alliances

With the objective of moving towards its goal of being among the top IT companies in the world, the Company made the following acquisitions/alliances during the year either directly or through its subsidiaries:

a) Strategic Acquisitions:

i) TKS-Teknosoft S.A., Switzerland

The Company acquired Switzerland-based TKS-Teknosoft S.A. (TKS). TKS has a track record of successful implementation of large and complex key technology projects in Europe, including the securities clearing and settlement system of Switzerland.

The acquisition of TKS has helped TCS expand its product portfolio in the banking and financial services space in Switzerland and France, not only by acquiring marketing and distribution rights to QUARTZ® but also by adding new products in the private banking and wealth management space. The acquisition of TKS which has valuable products, together with the existing TCS products like FNS' core banking system, the QUARTZ® platform for wholesale banks and TCS' proprietary products in treasury, custody, clearing and settlement will give TCS' customers access to a comprehensive product portfolio owned and supported by TCS.

ii) TCS Management Pty Limited, Australia

TCS Management Pty Limited (TCSM) (formerly known as 'Total Communication Solutions'), a privately-owned consulting company in Australia was acquired in November 2006 as part of the Company's strategy to substantially grow the Australian business and provide high-end business and IT consulting to customers in Australia as well as globally. TCSM specializes in consulting services in the areas of Projects and Programme Management and therefore its services are complementary to TCS' services.

b) Strategic Alliances

i) Tata Consultancy Services (China) Co. Ltd (TCS China)

Tata Consultancy Services Asia Pacific Pte Ltd. (TCS APAC), a wholly-owned subsidiary of the Company has established China's first industrial scale software company, in association with Beijing Zhongguancun Software Park Development Co., Uniware Co. and the Tianjin Huayuan Software Area Construction and Development Co. These companies are representatives of the National Development and Reform Commission which is a department of the Chinese Government.

The joint venture company (JVC) was established in November 2006 and will provide IT outsourcing services and solutions to the Chinese domestic market as well as the global market. TCS APAC has a majority equity holding in TCS China with management control. TCS China is located in Beijing and has commenced operations this year.

The joint venture will leverage the complementary strengths of the partners in technology, software development, management, talent acquisition and training, including the world-class processes and practices of TCS as well as TCS' experience of handling large and industrial scale technology projects. The Company expects to grow the sales and servicing capability of this venture in China. The Joint Venture will leverage the capability of the partners in China to grow in scale as well as make inroads into the domestic market in China.

ii) MP Online Limited

The Company entered into a Joint Venture Agreement with the Madhya Pradesh State Electronics Development Corporation Limited (MPSEDC) pursuant to which a subsidiary company, MP Online Limited (MP Online), has been set up in India with equity participation from TCS and MPSEDC. MP Online will be engaged in the development, maintenance and management of a portal for providing e-governance services to the citizens of Madhya Pradesh.

9. Human Resource Development

TCS continues to be recognised for its good human resources practices. This year TCS won the Data Quest Best Employer award for the third consecutive time. In this high-growth industry, TCS continues to be the employer of choice, marked by the lowest attrition rate of 11.3%.

With over 85,000 employees from 67 nationalities, the Company is emerging as a true global firm with a diverse employee base. This heterogeneous base is central to sustaining the Company's competitive edge. At the end of the year, non-Indian nationals working for the Company were 9.6% out of a total employee base of over 85,000. The percentage of women working for the Company increased to 26% from 24% last year. During the year, the Company added a net of 22,750 persons through recruitment and through mergers and acquisitions. The Company's recruitment practice ensures that suitable candidates with merit are recruited and provided with the right opportunities. The Company received about 8 lakh applications during the year for employment. TCS received the RASBIC award for 2006 – as Recruiting and Staffing Industry Leader of the Year.

The Company's HR policies and processes are aligned to effectively drive its expanding business and emerging opportunities. This has been achieved by continuously investing in learning and development programs, creating a compelling work environment, empowering employees at all levels and maintaining well-structured reward and recognition mechanisms.

Employee engagement remains a key focus of HR initiatives undertaken by the Company. TCS enables its employees to meet their career objectives through rotation across projects, functions and locations globally. The Company helps employees build new skills and competencies and promotes knowledge sharing and team building. The Foreign Languages Department continues to promote foreign language education, especially French, German and Japanese and orientation on different cultures.

10. Interface with Academia

Continuous interaction with educational institutions remains a central plank of the Company's strategy to attract the best scientific and engineering talent and engage in cutting-edge research and development in partnership with universities across the world.

To bridge the campus-corporate gap, the Company has been conducting Student and Faculty Development Programs across the country. Over 460 workshops were held, with more than 38,000 participants from educational institutes. Moreover, 1,080 students were provided with project internships during the year and the Company sponsored 189 academic events.

11. Quality Initiatives

Reinforcing its commitment to high standards of quality, service management and robust information security practices, TCS attained a number of quality-related milestones during the year.

In addition to the domain specific certifications TL 9000, AS 9100 and ISO 13485, the Company was recommended for ISO 9001:2000, ISO 27001:2005 and ISO 20000:2005 certifications.

TL 9000 is the telecom industry's quality standard that expands the requirements of ISO 9001:2000. The certification provides an opportunity to compare performance with similar organisations, to learn and share best practices in the telecom domain, and strengthen relationships with customers on a competitive scale. **AS 9100: Rev B** is a Quality Management System designed specifically for the Aerospace industry. Developed by the Society of Automotive Engineers (SAE), it is based around the ISO 9001:2000 standard and is being implemented across the international aerospace industry. TCS is the first company in India to be certified for design of airframe structures. **ISO 13485:2003** specifies requirements for a quality management system in the regulatory domain, where organisations need to demonstrate their ability to provide medical devices and related services that consistently meet applicable customer and regulatory requirements.

TCS received the prestigious CII-EXIM Bank Award for Business Excellence this year. This award, based on the EFQM of Europe, evaluates Indian companies for their Business Excellence. TCS joins a select band of Excellent Companies who have so far won the coveted award.

All these certifications are testimony to TCS' unstinting commitment to achieve the highest standards of quality and the expertise that the Company brings to global clients. The cornerstone of these certifications is the integrated Quality Management System (iQMS) which was developed in-house and is today providing strong support to the Global Network Delivery Model™.

Innovation is an important aspect of the Company's business operations and a Corporate Technology Office headed by a Chief Technology Officer and supported by a Corporate Technology Board was established to provide a thrust to Innovation by institutionalizing the governance processes and by establishing a collaborative innovation ecosystem that extends beyond TCS. The Company now has 18 innovation labs across the world.

12. Corporate Social Responsibility

Corporate Social Responsibility (CSR) in TCS is aligned with the Tata tradition of creating wealth in the community with a twin focus on Education and Society.

CSR in TCS continues around the "3-Generation" approach of philanthropy, stakeholder engagement and the use of the Company's core competencies to address societal problems. Volunteering is an integral part of CSR and has attracted more than 1,000 employees at TCS offices in India and abroad.

TCS' computer based functional Adult Literacy Programme (ALP) has served over 1,00,000 learners all over India in eight languages. Further enhancements to the existing interface as well as functionalities have also been initiated. The ALP has been commended as an Innovation in the Corporate Social Responsibility area under the EMPI-Indian Express awards.

The MS Swaminathan Research Foundation and the NASSCOM Foundation are partnering with TCS for the Mission 2007 National Alliance covering about 6,00,000 Indian villages. Simultaneously, the programme has also been scaled up along with the Tata Council for Community Initiatives to work with government agencies.

The Company is actively supporting the cause of rebuilding the Children's Hospital of the Society for Rehabilitation of Crippled Children (SRCC) in Mumbai which aims at providing world-class medical facilities to children.

"**Maitree**" an association of employees and their families across the globe, is a key vehicle of CSR within the organisation. Maitree has conducted Right to Information Act Awareness sessions, HIV/AIDS Awareness sessions, Environment Awareness outings for the employees as well as the community, Green Audits to check consumption of paper, water and electricity at various TCS offices and has promoted vermicomposting, rain water harvesting and paper recycling. One of Maitree's key successes has been in the village community of Wazapur, near Panvel, 60 km from Mumbai, which it has adopted and where teams of TCS volunteers help the residents in women's self employment, literacy classes, AIDS awareness and functional computer literacy.

Other CSR activities of TCS which were carried out in several cities in India included support for restoration of heritage buildings, involvement in educational causes, assistance in building hospitals, sponsoring of sports events, creating computer databases for NGOs, re-uniting children from remand homes with their parents using telephone and e-mail contacts, computer training at orphanages, organizing blood donation camps, participating in clean-up of localities and beaches, etc.

In the UK, a significant campaign has been the work done with underprivileged youth, initially through sponsoring of Stepney Football Club, and moving on to teaching. In the US, TCS supports many health causes such as construction of Habitat for Humanity houses and the Salvation Army initiatives. In Europe, over 700 TCSers joined activists of the UN World Food Programme to raise awareness and funds to fight child hunger.

TCS won global recognition for its CSR activities in February 2007 as the winner of the Golden Peacock Global Award for CSR, leading other international corporates. TCS also won the same award at the national level in January 2007 at a competition organised by the Institute of Directors.

13. Awards/Recognition

During the year, the Company received various awards and recognitions, significant amongst which are the following:

- Company of the Year - 2006 from the Economic Times
- Dataquest Best IT Employer for 2006
- Frost & Sullivan Company of the Year Award - 2006
- Most Admired Knowledge Enterprise (MAKE) Award 2006
- MapInfo Asia Partner of the Year Award
- CII-EXIM Bank Award for Business Excellence 2006
- Golden Peacock Global Award for Corporate Social Responsibility
- Top position in 'Top 10 Best Performing IT Services providers' category in the 2007 Global Services 100 listing
- Ranked among the Top 10 US application management services vendors
- Dataquest Pathbreaker Award 2006 for the MCA-21 project, India's largest e-governance initiative of the Ministry of Company Affairs, which is implemented by TCS.
- 'Most Distinguished Achievement Award in Information Management (APAC) - 2006' from IBM
- IBM Software Group Excellence and IBM WebSphere Awards for TCS Middle East
- Verizon's Supplier Excellence Award for the third consecutive year
- APAC Oracle Partner of the Year 2006 Award
- Avaya Global Connect Customer Responsiveness Award - 2006

14. Corporate Governance Report and Management Discussion and Analysis Statement

A report on Corporate Governance is attached to this Report as also a Management Discussion and Analysis statement.

15. Directors' Responsibility Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 ("Act"), and based on the representations received from the operating management, the Directors hereby confirm that:

- (i) in the preparation of the Annual Accounts for the year 2006-07, the applicable Accounting Standards have been followed and there are no material departures;
- (ii) they have selected such accounting policies in consultation with the statutory auditors and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year;
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the Annual Accounts on a going concern basis.

16. Subsidiary Companies and Consolidated Financial Statements

The Company had 49 subsidiaries at the beginning of the year. The following eleven subsidiaries were set up/acquired during the year:

- MP Online Limited
- PT Tata Consultancy Services Indonesia (set up by Tata Consultancy Services Asia Pacific Pte Ltd)
- Tata Consultancy Services (China) Co., Ltd. (set up by Tata Consultancy Services Asia Pacific Pte Ltd)
- TKS – Teknosoft S.A. (acquired along with four of its subsidiaries viz. TKS Services S.A., Quartz Software Technology S.A., TKS Banking Solutions S.A. and TKS Teknosoft (France) SAS)
- TCS Management Pty Ltd, (acquired)
- Tatasolution Center SA (set up by Tata Consultancy Services BPO Chile SA)
- Financial Network Services (Beijing) Co. Ltd. (set up by Financial Network Services Pty Ltd)

The following two subsidiaries were de-registered during the year:

- Chong Wan Investments Limited
- Financial Network Services (Facilities Management) Pty Limited.

and the following subsidiaries were merged during the year with other subsidiaries of the Company:

- Sisteco S.A. was merged with Comicrom S.A. which in turn was merged with Tata Consultancy Services Chile Limitada, whose name was changed during the year to Tata Consultancy Services BPO Chile S.A.

Following these actions, the Company has 56 subsidiaries as on March 31, 2007. There has been no material change in the nature of the business of the subsidiaries. A statement containing brief financial details of the subsidiaries is included in the Annual Report.

As required under the Listing Agreements with the Stock Exchanges a Consolidated Financial Statement of the Company and all its subsidiaries is attached. The Consolidated Financial Statements have been prepared in accordance with Accounting Standards 21, 23 and 27 issued by The Institute of Chartered Accountants of India and show the financial resources, assets, liabilities, income, profits and other details of the Company, its associate companies, its joint ventures and its subsidiaries after elimination of minority interest, as a single entry.

The Company has been granted exemption for the year ended March 31, 2007 by the Ministry of Company Affairs from attaching to its Balance Sheet, the individual Annual Reports of its subsidiary companies. As per the terms of the Exemption Letter, a statement containing brief financial details of the Company's subsidiaries for the year ended March 31, 2007 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any Member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by any Member of the Company/its subsidiaries at the Corporate Office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head offices of the respective subsidiary companies.

17. Fixed Deposits

The Company has not accepted any public deposits and, as such, no amount on account of principal or interest on public deposits was outstanding on the date of the Balance Sheet.

18. Directors

During the year, Dr. Ron Sommer and Mrs. Laura M. Cha were appointed as Additional Directors on September 5, 2006 and November 2, 2006 respectively. Both Dr. Ron Sommer and Mrs. Laura M. Cha are Independent Directors. As per the provisions of Section 260 of the Companies Act, 1956, these Directors hold office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has

received notices under Section 257 of the Act along with the requisite deposit, in respect of the above persons, proposing their appointment as a Director of the Company. Resolutions seeking approval of the Members for the appointment of Dr. Sommer and Mrs. Cha as Directors of the Company have been incorporated in the Notice of the forthcoming Annual General Meeting along with brief details about them.

Mr. Aman Mehta and Mr. Naresh Chandra, Directors, retire by rotation and being eligible have offered themselves for re-appointment.

19. Auditors

M/s. S.B. Billimoria & Co., Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, upto the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment.

20. Particulars of employees

Information as required under Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are given in an Annexure forming part of this report.

21. Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under section 217(1)(e) of the Act, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are set out in an annexure to this report.

22. Acknowledgements

The Directors thank the Company's customers, vendors, investors, business associates, bankers and academic institutions for their support to the Company.

The Directors also thank the Government of India and the Governments of various countries, the concerned State Governments and other Government Departments and Governmental Agencies for their co-operation.

The Directors appreciate and value the contributions made by every member of the TCS family across the world.

On behalf of the Board of Directors,

Mumbai
April 16, 2007

R. N. Tata
Chairman

Annexure to the Directors' Report

Particulars pursuant to Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

CONSERVATION OF ENERGY

The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The Company continues to use the latest technologies for improving the productivity and quality of its services and products.

Innovation as an enabler of TCS' 'Experience certainty' proposition

TCS operates in a rapidly changing technology environment. Innovation is an important part of the organisational 'DNA' of TCS and is a key enabler of the 'Experience certainty' proposition.

Our business units use the tools and assets from our Innovation Labs to enable our clients to exploit 'derivative innovation', with continuing improvements and value delivery.

We create opportunities for transformational improvements or 'platform innovations' for our clients, across business and technology dimensions, using assets and intellectual property developed by the Practices and Innovation Labs. The Co-Innovation Network, established this year, increases the range of domain and technology solutions in this space.

We enable our clients to access potentially game-changing or disruptive technology and business models through our Innovation Labs and the Co-Innovation Network. These 'radical innovations' or disruptive developments create options for future growth for our clients and for us.

The TCS Corporate Technology Office ensures systematic investments across all three innovation categories, and governs all Innovation Projects across our 18 Innovation Labs across the world (the 19th lab in Peterborough, UK, is expected to open in April 2007). These labs are dedicated to R&D in areas that help us innovate in new technology, service and process areas to strengthen our business and benefit our environment. The first and largest of these Labs, Tata Research Development and Design Centre (TRDDC) which was set up in 1981, celebrated its Silver Jubilee during the year. The year long celebrations were marked by the presence of the Hon'ble President Abdul Kalam who felicitated TRDDC's achievements over its 25 year journey.

To extend the value that TCS brings to its clients, TCS launched the 'Co-Innovation Network' (COIN) in January 2007. The intent driving COIN was to engage in the true collaborative spirit with intellectual capital across the innovation ecosystem to synergistically leverage thoughts, assets and resources to innovate together. COIN, extends the collaborative eco-system beyond TCS' research capabilities, to bring together research resources of global academic institutions, venture capital funds, Silicon Valley start up companies, TCS alliance partners and multi-lateral bodies. TCS Innovation Labs and our clients anchor the Co-Innovation Network.

The recognition and honours bestowed on TCS' innovation initiatives include the TCS Wireless R&D lab being adjudged the Grand Prize Winner of the Qualcomm Wireless Reach™ BREW® Application Funding Program, TCS' Adult Literacy Program being commended as an Innovation in the Corporate Social Responsibility area by the EMPI-Indian Express Awards, the Bio-Suite product receiving the 'Best Product Innovation' award from Nasscom and the AP Online project receiving the Businessweek Innovation award.

TCS has continually innovated in business and technology - we disrupted the IT Services world when we created the India-centric model and have evolved and matured the India model to the Global Network Delivery Model™ today. We have continually improved our software engineering capabilities, from the Software Tool Foundry, to Software Process Standards to today's Integrated Quality Management System. We are innovating today in the Innovation space, with the launch of the TCS Co-Innovation Network on January 17, 2007 by the Hon'ble President of India. The journey continues.

RESEARCH & DEVELOPMENT (R&D)

Specific areas in which R&D was carried out by the Company

Areas in which the Company carried out R&D during 2006-07 are given below:

i) Tata Research Development and Design Centre, Pune

Significant areas of research include:

- a. Refining the formal characterization of the data privacy algorithms, and demonstrating regulatory compliance (e.g. HIPAA) for the Masketeer™ toolset.
- b. Developing data mining techniques for specific areas like analysing customer churn behaviour in a large telecom company, and a fault monitoring system for a radio telescope.
- c. Research into data-intensive computing resulted in a model to understand the operational characteristics of IT plants. The Sense-Understand-Respond (SURE) framework has been developed, which involves monitoring, integrating, and analyzing large volumes of data from a diverse set of distributed and heterogeneous sources within an IT plant.
- d. A new approach to compute data flow analysis solutions was implemented in PRISM, the program analysis workbench, which can analyze up to a million lines of code.
- e. Development of MAPAGILE2.0, a Web2.0 powered version of the original MAPAGILE, to address the needs of multiple, geographically dispersed teams working together to build large-scale software applications.
- f. Development of a tool-chain to automate the various steps in the embedded software engineering process. This has resulted in two tools - one to scale up formal analysis of component specifications and the other to scale up analysis of code.
- g. Enhancement of an existing standards checking tool, Assent, for MISRA-C, which now can analyze up to 2 million lines of C code.
- h. Research in the area of credit risk modeling, and development of the probability of default (PD) - model prototype.
- i. Models for dynamic re-scheduling with minimum disturbance based on linear and non-linear programming.
- j. Processes for bulk synthesis of nanoparticles amenable to easy scale-up.
- k. Colloidal processing of nanoparticles, for producing nanostructured products. This has resulted in the identification of two techniques that could be potentially scaled-up for large-scale nanoparticle production: synthesis in high-temperature flames and in water-in-oil microemulsions. A population balance model was also developed for nanoparticle synthesis in microemulsions.
- l. Research is continuing on the development of process models aimed at prediction of the entire gamut of solidification defects and at the development of tools for designing cast products with improved properties.
- m. Developing a model for a gas-fired boiler to identify the root cause of deterioration of efficiency.
- n. Modeling aluminium thermal processing operations, such as age hardening, microstructure modeling by cellular automaton and annealing operations.
- o. Models for the prediction of the development of anisotropy and deformation textures during cold deformation.

(ii) Advanced Technology Centre, Hyderabad

Significant areas of research include:

- a. Development of the cluster version of the software package Bio-Suite™. A scripting interface was also included in this product.

- b. Development of a new algorithm called 4M (Mixed Memory Markov Model) for gene prediction. The algorithm is being extended to identify genes in the malaria-causing parasite *Plasmodium falciparum*.
- c. Prediction of sub-cellular localisation and function classification of *P. falciparum* proteins. A prototype tool called TargetPf has been developed, which incorporates existing rule-based and machine learning techniques for predicting protein localisation to sub-cellular locations.
- d. Development of an algorithm known as 'The Centroid Method' to identify compositionally distinct regions in any given genome. Application of this method to several bacterial genomes has indicated regions containing virulent gene clusters in these organisms.
- e. Work on the cell cycle genes in *Entamoeba histolytica*, a parasite that proliferates in human intestine, and is known to be the causative agent of amoebic dysentery in humans. A good understanding of the cell cycle of *E. histolytica* may help in identifying potential drug targets to arrest its proliferation.
- f. Understanding the unfolded state of the 'protein folding' problem, including simulations of protein chains using all atom models of proteins using a combination of hard sphere and hydrogen bond potentials. Development of a coherent theory for protein folding based on these observations is under way.
- g. Developing efficient techniques for interval querying in comparative genomics, by experimenting with and extending the pygr software from University of California at Los Angeles.
- h. Applying statistical methods for the prediction of absorption, distribution, metabolism and excretion (ADME) of drugs and drug-like compounds. This includes the application of new mathematical methods for the prediction. ADME profiles for the first time in literature and the performance of the predictive models, thus generated, are bench marked against other published approaches.
- i. Development of an Automated Copyright Notification System (ACNS), a method designed to automate responses to copyright infringements as soon as they are detected. This software is designed to be deployed within an ISP or ISP-like operator's (e.g. a University campus or a corporation) infrastructure and use notices from external entities to execute automated acceptable use policy actions in a graduated manner.
- j. Several contributions to the Open Source community including:
 - Development of an online proxy that can help in converting Indian language content produced in proprietary encodings to enable display on standards-compliant web browsers and thus encourage the adoption of standards,
 - Tools to deal with Indian language input for the web,
 - A text-to-speech system for Telugu that was integrated into the desktop to help the illiterate by reading out the text on the screen,
 - A dictionary service for Telugu as part of the Swecha portal.
- k. Development of an ePassport application for the Government, with secure biometrics. It embeds the required security features mentioned by the ICAO and also caters to the needs of efficient ePassport management by providing modules to handle personalisation, citizen enquiries on status of passport and inventory management.
- l. Development of a contact-less RFID chip embedded into a Degree Certificate tailored to meet the requirements of any University. It uses passive RFID High Frequency (HF) technology for issuing tamper proof SmartDegree certificates to students. SmartDegree solution captures and stores photograph, signature and fingerprint of the student along with student information into the chip for data verification at a later point of time.

(iii) Business Systems and Cybernetics Centre, Hyderabad

Significant areas of research include:

- a. Development of 'Diksuchi', a systems approach for consulting. This is based on the principles of business compositionality.
- b. Work on the Morphogenetic basis for deriving operational Enterprise Models, which describe the enterprise at work in delivering its Plan, and its evolution that is governed by its Vision, Mission and Strategy.
- c. Work on the next generation of TCS' iMPACT methodology for enterprise architecture consulting.

- d. A Competence Model to test the employees' ability to build quality in deliverables and assess their relative productivity in a predictable way. This approach helps to map the requirements to quality characteristics and engineer these qualities into deliverables.
- e. In collaboration with the University of Massachusetts, Amherst, work in Process Engineering is investigating the ability to assert outcomes of processes (qualities of their deliverables and their alignment with overall business goals) through creation of a methodology for designing processes.
- f. Work is in progress for a collection of general management techniques that are integrated into an effective collection of management problem solving tools in a collaborative, cooperative and integrating environment.

(iv) Embedded Systems R&D , Bangalore & Kolkata

Significant areas of research include:

- a. Progressive work in the area of ECG signal analysis has been developed as a Decision Support System (DSS) for cardiac diagnostics solution. DSS functionality includes the detection of cardiac ailments such as Supra-ventricular Contraction, Premature Ventricular Contraction (PVC), Bigeminy, Trigeminy, Ventricular Tachycardia and Fibrillation.
- b. Participation and contribution to Protocol development for the Improved Coexistence Mechanisms for License-Exempt Operation to the IEEE 802.16h Working Group.
- c. Research in wireless security, in the area of context-aware security. The framework has been developed as part of the European FP6 research consortium project E2R and has been used to devise application-aware network security adaptations.
- d. Research into wireless standards for error correction based on low density parity check (LDPC) codes. LDPC Decoder architectures for two specific standards viz. DVB-S2 and IEEE 802.16e were developed targeting VLSI implementation. Architectures for generic decoders are being explored using Projective Geometry concepts.
- e. Adaptive techniques to improve spectral efficiency in OFDM-based systems have been developed as part of the collaborative work with Aalborg University.
- f. Cognitive Radios are a potentially disruptive technology being researched for future wireless communications. Regulatory certification for a Cognitive Radio is one of the major challenges for the deployment of such devices. An architecture enabling such a certification has been developed.
- g. An advanced approach for the time-of-arrival estimation of a packet transmission in a wireless communication system has been developed. This could be used to enable location capability with existing wireless communication systems. Further work in this direction using multi-modal data fusion is in progress.
- h. In the area of audio segmentation and classification, the problem of speech - music discrimination has been addressed. This will be used as a pre-processor for further speech/music content specific processing.
- i. Efficient video processing algorithms for embedded applications including encryption, water marking, motion detection, etc., have been developed and incorporated into some of the innovative applications.
- j. In collaboration with IIT Mumbai, cutting-edge research projects have been initiated in the areas of: (a) development of nanotechnology-based sensors for biomarkers for medical diagnostics, (b) development of techniques for DNA-based semiconductor device fabrication, (c) development of current-based schemes for on-chip signalling, (d) design methodologies for self-calibrating circuit design and (e) development of artificial retina.

(v) TCS Technology Innovation Lab, Delhi

Significant areas of research include:

- a. Development of JfleX, an Enterprise 2.0 platform. This includes an Application Designer based on "Point of Use Configurability" paradigm. The platform was strengthened by means of carrying out performance testing, working closely with prospect customers to evolve the feature-set of the platform and a patent was filed for this technology. JfleX gave rise to a new business opportunity of services for development. A new development methodology, change management process for E 2.0 platforms was put into place.

- b. Research into Natural language Technology included innovative mechanisms for interface with business applications, such as emails and SMS using mobiles. The NATAS system incorporating this technology has been extended to cater to email-based interaction, wherein users can send emails to IT-systems, and the system processes that email and responds to the user request appropriately.
- c. "Imagine & Vivid" - provide environments for content based interaction with still image and video collections. Java packages for core image and video processing algorithms have been contributed to the TCS corporate source repository.
- d. IIT-Delhi is working as a research partner for Visual Surveillance and Document Image Management solutions.

(vi) Performance Engineering Innovation Lab, Mumbai

Significant areas of research include:

- a. Research on performance analysis and performance emulation tools, as well as on technology for reliability engineering.
- b. Development of ScrutiNet, a tool for end-to-end transaction profiling. It non-intrusively analyzes network traffic to give a breakup of time spent in client, network, web application and database tiers. ScrutiNet Lite is used for end-to-end response time monitoring on client workstations.
- c. Development of Jensor, one of the lightest weight Java profiling tools in the world. The first release caters to profiling of Java and J2EE applications for bottleneck methods, call tree analysis, and memory analysis. Jensor has a unique feature called adaptive profiling where it profiles its own overhead and, wherever relevant, switches itself off for methods whose performance may get impacted. Jensor has been used by performance consultants to trace a number of Java bottlenecks in production, testing and development.
- d. Development of WANem, a wide area network emulator. Its purpose is to provide developers and testers with a feel of a production network. WANem plugs in to the local area network through a Linux PC or as a virtual machine, and provides controls to the project team for bandwidth, latency, packet drop and disconnections. The last one is particularly important in firewalled environments as well. WANem also has a module to characterise an existing network link and use the characterisation for emulation purposes.
- e. Development of DBProdem, an emulator for database performance. It allows the user to set target database volumes as expected in production, and then delays database statement with their estimated time in production. It also provides developers and testers with the plan of the statement as it would be in the production database. Current research is in progress for accuracy and fine tuning of the delay estimator.

(vii) Broadband & Broadcasting Lab, Mumbai

Significant areas of research include:

- a. Development of an IPTV solution to serve as a test bed for developing various value added services for IPTV operators. This IPTV system has been integrated with back-end systems (OSS/BSS). The solution includes basic services such as Broadcast TV, Electronic Program Guide (EPG), Video on Demand and also value added services such as News, Weather and Games.
- b. Extensions of the core IPTV platform with a third-party convergence engine to new applications like:
 - Downloading of Audio tracks from TV to cell phones
 - On-line photo Album on TV
- c. Research into areas like:
 - Convergent solutions that enable connectivity between various IP devices across wireline and wireless networks
 - Identifying and building value added services for Mobile TV
 - Analysing new broadband technologies such as Broadband over Power Lines
 - Identifying potential business applications for technologies that identify objects within video streams and track the same

(viii) Other Innovation Labs

In addition to the 7 innovation Labs described above, domain and technology specific innovation was carried out in other innovation Labs which covered Retail, Travel & Hospitality, Engineering & Industrial Services, Media & Entertainment, Banking & Financial Technologies, RFID, Automotive Technologies, Infrastructure Management, Telecom, Mobility & Web 2.0 and Speech technologies.

Patents

During the year, 3 patents were granted to the Company and 25 patent applications were made. Details are provided below:

Patents granted during the year

Sr. No.	Title/Description	Country
1	An apparatus and method of consolidating multiple discrete records stored in a plurality of raw data files	India
2	An apparatus for order matching in a matching engine for stock exchange	India
3	Method and apparatus for Security System for Wireless Network	Korea

Patents applied for during the year

Sr. No.	Title/Description	Country
1	Automated support for monitoring & managing knowledge work	USA
2	Cybernetics search tool with knowledge maps	USA
3,4,5,6	Authentication system executing an elliptic curve digital signature cryptographic algorithm	USA, European Union, Japan, Canada
7	Method and apparatus for including virtual ads in Video presentations	USA
8	Method of Thermal Treatment of Components	USA
9	Digital images	USA
10	Low density parity check code decoder	India
11	Focussed information development	India
12	Information systems	India
13	A system for the Time of Arrival (ToA) estimation in wireless communication systems	India
14	A system for calculating vehicle insurance premium	India
15	Quality assurance	India
16	Computer systems (TCS Idpa split arch)	India
17	Computer systems (TCS Idpa folded arch)	India
18	Hardware system of decoding of Idpc-coded bitstream in both wireless and wireline communication system	India
19	A method & apparatus for encryption of a video sequence	India
20	Watermarking in a video coding/decoding	India
21	Digital IVR	India
22	Method & apparatus for watermarking	India
23	Protocol Stacks	India
24	A System and Method for a Pattern based service Extraction	India
25	A System and Method for Automated Re architecting of Legacy Systems using Oriented Language	India

Benefits derived

Customers are able to see the benefits resulting from the Company's R & D efforts and are actively exploring the role that the Company can play in their long-term technology and research options. The past R & D efforts of the Company have resulted in the sale of software licenses and usage of these licenses internally as under:

Financial Year	No. of licenses	No. of licenses in TCS	No. of external licenses	Estd. Cost savings in USD
2004-05	2631	2588	43	1,950,680
2005-06	3110	2637	473	3,362,318
2006-07	3489	3479	10	8,058,132

Future Plan of Action

The Corporate Technology Office and the Corporate Technology Board of the Company govern the R&D and innovation investments of the Company based on the 'Technology-Market-Map' principle. Research areas addressing the current businesses of the Company, adjacent opportunities and blue-sky thinking are being investigated.

Expenditure on R&D

	Year ended 31.3.2007	Year ended 31.3.2006
(a) Capital	5.62	1.88
(b) Recurring	28.02	30.16
(c) Total	33.64	32.04
(d) Total R&D expenditure as percentage of total income	0.22%	0.28%

Foreign exchange earnings and outgo

Activities relating to exports, initiatives taken to increase exports: development of new export markets for products and services; and export plans

Mentioned in the Directors' Report.

	Year ended 31.3.2007	Year ended 31.3.2006
(a) Foreign exchange earnings	13802.47	10127.08
(b) CIF Value of Imports	367.95	218.30
(c) Expenditure in foreign currency	6162.95	4427.57

On behalf of the Board of Directors,

Mumbai
April 16, 2007

R. N. Tata
Chairman

Annexure to Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2007

Sr. No.	Name	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
1	Agarwal, Mr. Pankaj*	40	Vice President	1,194,688	779,848	B.Tech, PGDIE	16	15-Dec-06	Marico Ltd.
2	Agrawal, Mr. Raj Kumar	38	Principal Consultant	3,249,635	1,998,415	B.Tech	16	17-Jun-91	First Employment
3	Ahluwalia, Mr. Sudhir Krishan	56	Principal Consultant	2,848,757	1,791,826	B.S-F	28	8-Dec-99	Indian Forest Service
4	Anand, Dr. Ritu	49	Vice President	3,691,409	2,220,694	MA, PhD	18	18-Dec-89	Academic Staff College, Bombay
5	Anand, Mr. Dipak	61	Principal Consultant	2,571,632	1,522,847	BE	25	21-Nov-94	Indian Railway's Rail Coach Factory
6	Anchan, Mr. Madhav Guruva	49	Senior General Manager	2,940,660	1,819,897	B.Com, LLB	24	21-Feb-00	Zee Telefilms Ltd.
7	Bagchi, Mr. Pradipta	38	Senior General Manager	2,422,426	1,481,944	B.A. (Hons.)	15	5-Jan-05	The Times of India
8	Bahulkar, Mr. Arun Gajanan	51	Principal Consultant	2,583,641	1,505,509	M.Tech	27	28-Jul-80	First Employment
9	Bajaj, Mr. Kamlesh Kumar	57	Principal Consultant	2,485,861	1,538,105	PhD	32	12-Sep-05	National Informatics Centre
10	Bakshi, Mr. Sridhar	49	Principal Consultant	2,845,098	1,706,865	M.Tech	26	12-May-89	International Data Management
11	Balasubramanya, Mr. Shamanna	49	Vice President	3,801,000	2,261,625	M.Tech	25	16-Dec-05	PSI Data Systems Ltd.
12	Baliga, Mr. Pankaj Madhav*	60	Vice President	2,422,270	1,574,068	BE, MBA	37	31-May-01	Indian Hotels Co Ltd. (Taj Hotel)
13	Bandyopadhyay, Mr. Debasis	55	Vice President	2,821,060	1,699,738	B.Tech	30	16-Jul-87	M. N. Dastur & Co.
14	Bartholdson, Mr. Johan Karl*	35	Manager	995,060	549,027	B.S-F	8	1-Dec-06	MCI
15	Basu, Mr. Sanjib	42	Principal Consultant	2,555,197	1,550,783	ME	20	2-Nov-92	Development Consultants Ltd.
16	Bhandari, Mr. Jagdish Raj	55	Vice President	4,190,729	2,462,776	BSc (Engg) , M. Tech	31	15-Dec-75	First Employment
17	Bhanot, Mr. Sanjay	43	Principal Consultant	3,284,746	1,957,129	M.Tech	20	27-Jan-87	First Employment
18	Bhatla, Mr. Tej Paul	41	Principal Consultant	2,822,752	1,678,269	M.Tech	19	15-Feb-88	First Employment
19	Bhatt, Mr. Pankaj	44	Principal Consultant	2,420,853	1,456,437	BE (Hons)	23	12-Oct-87	HCL Ltd.
20	Bhattacharya, Mr. Harin	54	Principal Consultant	2,804,323	1,629,799	BE	31	1-Apr-05	Tata Infotech Ltd.
21	Bhattacharya, Mr. Syamal Kanti	54	Vice President	2,418,914	1,449,767	MS	27	14-Dec-92	AT&T, USA
22	Chadha, Mr. Mahesh	50	Principal Consultant	2,416,133	1,471,203	B.Tech, MBA	24	1-Apr-05	Tata Infotech Ltd.
23	Chakrabarty, Mr. Tanmoy	46	Vice President	9,435,990	6,007,851	B.Com, Dip. in Bus Mgmt	24	12-Jan-04	EDS Electronics Data Systems
24	Chandra, Mr. Rama	50	Principal Consultant	2,453,037	1,468,829	B.Com, FCA, ACS	22	18-Jan-99	Bangalore Stock Exchange Ltd
25	Chandrasekaran, Mr. N.	44	Executive Vice President	10,214,645	6,258,044	BSc, MCA	20	27-Jan-87	First Employment
26	Das, Mr. Sanjeev*	42	Principal Consultant	3,087,338	1,952,192	MCA	17	17-Sep-90	First Employment
27	Desai, Mr. Pradeep V.*	43	Principal Consultant	3,238,330	2,016,453	PhD	20	1-Jun-06	Philips Innovation Campus
28	Dewan, Mr. Bhushan Kumar	55	Vice President	3,240,869	1,942,573	Dip. in Comp. Mgmt.	34	16-Apr-01	NMIMS, Mumbai
29	Dhage, Mr. Dilip	49	Principal Consultant	2,495,496	1,495,300	M.Tech	26	1-Apr-05	Tata Infotech Ltd.
30	Dinesh, Mr. P.	42	Principal Consultant	3,057,808	1,828,881	B.Tech, PG Dip.in Comp. Software and App.	18	1-Dec-92	Seashore Systems
31	Doreswamy, Mr. Satishchandra	40	Principal Consultant	4,399,630	2,637,839	BE	17	1-Apr-05	TCS Business Transformation Solutions Ltd.
32	Eappen, Mr. Bonny Kurian	41	Principal Consultant	2,821,502	1,673,110	M.Tech	17	17-Sep-90	First Employment
33	Ganesan, Mr. K.	45	Vice President	3,340,755	1,987,407	PG(HR&IR), PG (Trg & Dev.)	22	7-Jun-91	TI-Cycles of India
34	Ganesan, Mr. Sivaraman G.	38	Principal Consultant	3,030,368	1,807,477	BE	17	3-Oct-90	First Employment
35	Ganesh, Mr. Ravi*	46	Associate Vice President	2,479,946	1,580,038	MBA	20	3-May-06	Xchanging India
36	Ghosh, Mr. Debashis	41	Vice President	3,772,196	2,257,257	M.Tech	17	5-Feb-90	First Employment
37	Gopal, Mr. Balakrishnan	54	Vice President	3,669,814	2,145,353	B.Tech	33	15-Jun-87	Digitron Computers
38	Gopal, Mr. C. K.	42	Principal Consultant	3,008,416	1,815,511	MCA	16	7-Sep-00	IDLX Tech Partners Pvt. Ltd.
39	Gopal, Ms. Hema	49	Vice President	3,301,579	1,955,275	BSc, B.Tech, MS	22	8-Apr-85	First Employment
40	Gopal, Ms. Vijayalakshmi	45	Principal Consultant	2,890,368	1,727,109	M.Tech	18	8-Sep-04	Cognizant Technology Solutions
41	Gopinath, Dr. Ravi S.*	41	Vice President	3,859,705	2,809,717	PhD	16	5-Sep-94	Rensselaer Polytechnic Institute
42	Gopinathan, Mr. Rajesh	36	Senior Consultant	3,057,094	1,979,759	PGDM	11	22-Jan-01	Tata Industries Ltd.
43	Govel, Mr. Manoj Kumar	45	Principal Consultant	2,810,368	1,665,898	M.Tech	21	17-Feb-87	MBM Engg. College
44	Gulati, Mr. Nityan	46	Principal Consultant	3,283,228	1,938,626	BE	25	12-Jul-82	First Employment

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Sr. No.	Name	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
45	Gulati, Mr. V. P.	54	Consulting Advisor	2,439,220	1,435,030	PhD	25	1-Apr-05	IDRBT
46	Gupta, Mr. Amit	47	Principal Consultant	3,007,941	1,784,490	M.Tech	25	15-Jul-82	First Employment
47	Gupta, Mr. Devesh*	37	Principal Consultant	1,615,188	1,071,827	M.Tech	14	19-Sep-06	Computer Sciences Corporation
48	Gupta, Mr. Jitander Kumar	47	Senior General Manager	3,266,868	2,020,375	M.Com, LLB, AICWA, MBA	22	29-Apr-02	Zee Network (Zee TV)
49	Gupta, Mr. Sanjay Kumar	46	Principal Consultant	3,266,765	1,946,742	ME	24	15-Jul-83	First Employment
50	Gupta, Mr. Vishad	37	Senior Consultant	3,129,248	1,888,013	BE	16	1-Apr-05	TCS Business Transformation Solutions Ltd.
51	Hemmadi, Mr. Suhas Gurudas	41	Principal Consultant	3,025,368	1,810,542	M.Tech	18	6-Mar-89	First Employment
52	Ijari, Mr. Nagaraj	48	Vice President	3,808,037	2,228,239	B.Tech	21	15-Jan-90	Mafatlal Consultancy
53	Indulkar, Mr. Manoj Vasant	39	Principal Consultant	3,004,858	1,877,580	M.Tech	16	18-Feb-91	First Employment
54	Irani, Mr. Siraj Soli*	35	Principal Consultant	1,863,337	1,177,793	B.Com, LL.B (Gen), MMS.	10	18-Sep-06	Genpact
55	Iyer, Mr. Vishwanathan*	53	Vice President	4,844,841	3,085,701	ACA, ACS	32	16-Oct-06	IBM India Ltd.
56	Iyer, Ms. Kalpalatha V.	46	Principal Consultant	2,458,000	1,532,722	MSc	24	14-Jul-94	Vikasa Public School
57	Jagannathan, Mr. Rajagopal	53	Executive Vice President	6,138,522	3,688,374	B.Com, ACA, ACS, ACMA (UK), MBA (USA), AMP (Harvard)	25	9-Sep-02	Ways India Ltd.
58	Jain, Mr. Kamal	60	Vice President	3,243,307	1,887,438	DME	35	1-Apr-05	Tata Infotech Ltd.
59	Jain, Mr. Sandeep	42	Principal Consultant	2,593,638	1,587,870	BE	20	15-Jul-87	First Employment
60	Jasti, Dr. Anuradha*	38	Principal Consultant	424,864	293,787	MS	10	20-Nov-06	Vimta Labs
61	Jayaramakrishnan, Mr. Kannan	53	Vice President	3,795,627	2,263,398	BSc, Dip. in Sys. Mgmt.	32	1-Dec-89	S B Billimoria & Company
62	Joseph, Prof. Mathai	64	Executive Vice President	4,818,949	2,829,190	MSc, PhD	28	20-Oct-97	Carnegie Mellon University
63	Kaji, Mr. Hasit	43	Vice President	3,701,590	2,164,735	BSc, BE	21	23-Jun-86	First Employment
64	Kamat, Mr. Milind M.*	40	Vice President	3,781,885	2,357,453	MSc	19	5-Aug-91	M & I Data Services Inc., USA
65	Kameshwar, Mr. G.	48	Principal Consultant	2,812,820	1,668,522	BE, PGDIT	25	1-Feb-85	Eicher Goodearth Ltd.
66	Kannan, Mr. T. V. Kamalak	46	Principal Consultant	2,810,368	1,668,736	BE (Hons), MBA	22	15-Apr-92	S&S Power Switchgear Ltd.
67	Karkaria, Mr. Pauroos D.*	54	Executive Vice President	6,196,610	3,678,295	M.Com	33	1-Apr-05	Tata Infotech Ltd.
68	Konanoor, Mr. Mohandas Srikantiah*	38	Senior Consultant	3,029,474	1,921,309	M.Tech	16	1-Apr-05	TCS Business Transformation Solutions Ltd.
69	Koshal, Mr. Satish	58	Principal Consultant	2,437,997	1,432,854	B.Tech (Hons.)	27	1-Apr-92	UPTRON India Ltd.
70	Krishna, Mr. C. V. Murali	47	Principal Consultant	2,450,313	1,463,976	MBA	24	2-Dec-99	Tata Engineering & Locomotive Co. Ltd.
71	Krishna, Mr. Jayant	42	Principal Consultant	3,020,368	1,807,504	BSc, MBA, ICWAI, AMP (Leeds)	22	20-Dec-94	UPTRON India Ltd.
72	Krishnan, Mr. K. Ananth	44	Vice President	4,725,240	2,756,497	MSc, M.Tech	19	8-Feb-88	First Employment
73	Krishnan, Mr. P. R.	51	Vice President	4,747,583	2,762,196	ME	26	3-Feb-82	ERDC Keltron
74	Krishnan, Mr. R.	54	Vice President	3,304,282	1,951,066	MBA, CAIIB	23	27-Jun-01	ANZ Grindlays Bank
75	Krithivasan, Mr. K.	42	Vice President	3,843,320	2,252,331	M.Tech	20	20-Jul-89	Softek Pvt. Ltd.
76	Kulkarni, Mr. Ganesh Neelkanth	55	Vice President	2,865,661	1,707,093	M.Tech	31	26-Apr-77	IIT, Kanpur
77	Kulkarni, Mr. Vinay	41	Scientist	2,801,911	1,707,280	MSEE	19	3-May-89	Thermax Pvt. Ltd.
78	Kumar, Mr. Alok	45	Principal Consultant	2,832,222	1,692,519	M.Tech	22	3-Feb-86	Lucknow University
79	Kumar, Mr. K. Krishna	49	Principal Consultant	3,146,883	1,865,299	B.Com, PGDBM	18	1-Mar-04	DSP Merrill Lynch
80	Lahiri, Mr. R. N.	54	Principal Consultant	2,444,461	1,507,368	BSc, BEE (Hons), PG Dip.(Comp. & Control Engg.)	28	29-Nov-89	NTPC
81	Lakkad, Mr. Milind*	43	Principal Consultant	951,222	618,602	M.Tech	19	18-Dec-06	Infosys
82	Lakshmanan, Ms. Usha	44	Principal Consultant	2,800,407	1,664,405	CWA, Fellow of Insurance Institute, MBA (UK)	21	6-May-98	The New India Insurance Co. Ltd.
83	Macha, Mr. Raja Ramana*	41	Principal Consultant	2,823,488	2,123,510	BE, MBA	19	4-Sep-00	Tata Engineering & Locomotive Co. Ltd.
84	Magapu, Mr. Ramana Murthy Venkata	42	Vice President	4,072,351	2,412,874	BE	20	3-Oct-89	A P Technology Services Ltd.
85	Mahajan, Mr. Mahesh	60	Vice President	3,313,961	1,966,403	PGDM	36	1-Mar-99	Unicrop Industries Ltd.

Sr. No.	Name	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
86	Mahalingam, Mr. Seturaman	59	Chief Financial Officer	10,021,120	5,979,686	B.Com, ACA	40	9-Nov-70	G P Kapadia & Co.
87	Malhotra, Mr. Vinod Kumar	60	Vice President	3,400,815	2,000,346	BSc. Engg	39	1-Apr-05	Tata Infotech Ltd.
88	Malik, Ms. Rachna	40	Principal Consultant	2,973,005	1,817,823	M.Sc (Tech.)	19	15-May-92	Wipro Infotech Ltd.
89	Mallick, Mr. Sudhir Kumar	54	Principal Consultant	2,864,960	1,714,691	MSTT	29	5-Jan-81	Admn Staff College of India
90	Mansharamani, Mr. Rajesh K.	40	Principal Consultant	3,267,594	1,924,314	PhD - Wisconsin, Madison	18	9-Feb-94	First Employment
91	Marwah, Mr. Nishit	51	Senior General Manager	3,016,315	1,764,867	ACA	22	1-Jul-04	Rallis India Ltd.
92	Mazumder, Mr. Abhijit Kumar	35	Consultant	2,559,563	1,613,177	BE	12	15-May-95	Wesman Engg Co. Ltd.
93	Menon, Mr. Suresh Gopinathan*	45	Vice President	1,781,485	1,125,442	M.Tech	21	3-Feb-86	First Employment
94	Mhatre, Mr. Suresh Madhav	53	Vice President	2,768,736	1,630,650	M.E	21	2-Jan-79	Mhatre Art Studio
95	Mistry, Mr. Khursu S.	42	Senior General Manager	2,660,484	1,478,001	B.Com, LLB, FCS	18	1-Apr-05	Airline Financial Support Services (India) Ltd.
96	Modi, Ms. Nina R.	48	Principal Consultant	2,943,183	1,758,330	BA (Hons), MMS	26	1-Feb-85	ICIM
97	Mohan, Mr. G.R.K.	44	Principal Consultant	2,980,986	1,762,217	M.Tech	21	31-Mar-86	First Employment
98	Mohanty, Mr. Santosh Kumar	45	Principal Consultant	3,268,216	1,976,869	PhD	17	16-Apr-97	CME, Pune
99	Mohapatra, Mr. Dilip Kumar	57	Vice President	2,616,371	1,558,834	MMS	24	2-May-00	Indian Navy
100	Mudbhatkal, Mr. Gautam*	49	Principal Consultant	780,764	533,582	PGDM	22	14-Nov-06	Reliance Infosolutions
101	Mukherjee, Mr. Ajoyendra	48	Vice President	4,768,673	2,805,652	BE	27	7-Jul-80	First Employment
102	Mukherjee, Mr. Ashok*	54	Vice President	1,986,585	1,291,794	MBA	28	16-Jun-83	Metal Box (I) Ltd.
103	Munjal, Ms. Bharti	43	Principal Consultant	3,000,889	1,798,108	MCA	21	4-Sep-91	DCM Data Products
104	Murugan, Mr. R.	42	Principal Consultant	2,810,368	1,666,578	BE, MS	20	4-Nov-92	VSSC Indian Space Research Orgn.
105	Nambiar, Mr. V. C. Rajesh	39	Principal Consultant	2,251,156	1,418,759	MCA	16	2-Sep-93	Microland Ltd.
106	Nanadikar, Mrs. Anita P.	46	Vice President	3,762,219	2,211,916	BE	24	25-Jul-83	First Employment
107	Narasimhan, Mr. S.	45	Principal Consultant	3,290,513	1,958,789	MSc (Hons.), MSc (Tech.)	21	3-May-91	ORG Systems
108	Narayanan, Mr. K. V.	47	Principal Consultant	2,717,861	1,628,531	MSc (Tech)	25	5-Mar-84	ORG Systems
109	Narayanan, Mr. V. S.*	36	Principal Consultant	3,207,169	1,939,182	MBA	10	26-May-05	Blue Brick Consulting
110	Natarajan, Mr. Swaminathan	45	Principal Consultant	2,413,988	1,497,574	PhD	22	1-Aug-05	Rochester Institute of Technology
111	Natarajan, Mr. Venkatraman	48	Principal Consultant	2,656,696	1,622,810	BE (Hons)	25	11-Feb-05	Allsec Technologies Ltd.
112	Neemuchwala, Mr. Abid Ali Z.	39	Vice President	4,321,086	2,580,251	M.Tech	15	28-Feb-92	First Employment
113	Nilekani, Mr. Anand M.	54	Principal Consultant	2,905,281	1,851,511	BE, DMS	26	1-Apr-05	Tata Infotech Ltd.
114	Niyogi, Mr. Probir Kumar	55	Principal Consultant	2,400,885	1,442,279	M.Tech, PGCGM	32	11-Dec-96	British Oxygen Co.(India)
115	Nori, Prof. Kesav Vithal	61	Executive Vice President	4,376,340	2,547,980	M.Tech	39	8-Oct-83	CMU, Pittsburgh, USA
116	Obero, Dr. Sundeeep	46	Principal Consultant	2,654,624	1,582,017	PhD	22	1-Apr-05	Tata Infotech Ltd.
117	Padhye, Mr. Arvind Madhav	49	Principal Consultant	2,455,020	1,473,798	M.Tech	24	1-Apr-05	Tata Infotech Ltd.
118	Padmanabhan, Mr. Kishore	55	Vice President	4,321,816	2,536,317	M.Tech	32	1-Sep-75	First Employment
119	Padmanabhan, Mr. S.	49	Executive Vice President	9,201,065	5,626,942	BE, PGDM	25	17-May-82	First Employment
120	Pai, Mr. Ashok Ganesh	38	Principal Consultant	2,897,165	1,818,336	M.Tech	15	27-Jan-92	First Employment
121	Pai, Mr. Dilip M.	49	Principal Consultant	2,352,805	1,428,404	B.Tech	25	1-Apr-05	Tata Infotech Ltd.
122	Pal, Mr. Pratik	39	Principal Consultant	3,477,594	2,063,332	M.Tech	16	19-Aug-91	First Employment
123	Panda, Mr. Ashok Kumar	51	Principal Consultant	2,972,038	1,767,497	MSc	14	22-Jan-96	SBH SISB Dept. HO
124	Panda, Mr. Tapas*	40	Principal Consultant	3,242,935	2,348,668	ME	16	19-Aug-91	First Employment
125	Pande, Dr. Arun K.	55	Principal Consultant	2,445,576	1,411,853	ME, PhD	26	1-Apr-05	Tata Infotech Ltd.
126	Parthasarathy, Mr. Murali*	39	Senior Consultant	470,847	335,289	BE	16	1-Apr-05	TCS Business Transformation Solutions Ltd.
127	Pathak, Mr. Shrikant N.	50	Principal Consultant	2,837,087	1,646,834	BE, M Tech	29	1-Apr-05	Tata Infotech Ltd.
128	Peddiboyina, Mr. Sailaja	41	Principal Consultant	2,912,395	1,774,634	B.Tech, PGDIE	15	3-Mar-03	Apar Infotech
129	Pendharkar, Mr. Jayant V	64	Vice President	4,118,100	2,419,287	B.Tech, MBA	37	16-Jul-96	United S/W Services, Inc
130	Poddar, Mr. Debashis	40	Principal Consultant	5,183,762	3,222,253	BE, PGDM	15	3-Sep-01	Arthur Anderson
131	Prabhakar, Mr. Arun K.	39	Principal Consultant	3,025,368	1,808,159	B.Tech	16	3-Oct-90	First Employment
132	Pradip, Dr.	51	Scientist	2,817,018	1,638,549	B.Tech, MS, PhD	32	6-Apr-84	Bhabha Atomic Research Centre
133	Prasad, Mr. M. A.	55	Principal Consultant	2,470,895	1,500,623	BSc, CAIIB	37	8-May-00	Bank of Madura Ltd.
134	Punnekat, Mr. Prakash	43	Principal Consultant	2,569,750	1,528,735	ME	18	31-Jul-89	First Employment

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Sr. Name No.	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
135 Raghavan, Mr. G. Srinivasa	37	Principal Consultant	3,816,094	2,171,651	MBA	10	3-Jul-01	Satyam Infoway
136 Raghavan, Mr. Srinivasan	57	Principal Consultant	2,551,268	1,561,206	B.Tech, PGDM	35	1-Apr-05	Tata Infotech Ltd.
137 Raisinghani, Mr. Suresh*	60	Principal Consultant	1,535,198	1,062,181	B.Tech, PG Dip. in Sys. Mgmt.	38	1-Apr-05	Tata Infotech Ltd.
138 Rajadhyaksha, Mr. Shailesh H.	55	Company Secretary	4,701,807	2,756,172	B.Com (Hons), ACA, AICWA, ACS	32	22-Apr-04	Tata Industries Ltd.
139 Rajagopalan, Mr. M.	52	Principal Consultant	2,845,986	1,718,179	B.Tech, ME,	30	3-Aug-92	Bharat Heavy Electrical Ltd.
140 Rajagopalan, Mr. G.*	57	Principal Consultant	2,410,342	1,576,216	MSc	36	23-Aug-01	Nagarjuna Fertilisers & Chemicals Ltd.
141 Rajanna, Mr. V.	39	Principal Consultant	2,791,739	1,677,564	M.Tech	13	30-Jun-94	First Employment
142 Ramachandran, Mr. Girish P.	36	Principal Consultant	3,495,728	2,073,317	BSc (Tech), MMS	15	24-Nov-94	HCL Ltd.
143 Ramachandran, Mr. S.	57	Principal Consultant	2,897,577	1,678,755	M.Tech, M.S.	32	1-Apr-05	Tata Infotech Ltd.
144 Ramadorai, Mr. Subramanian	63	CEO & Managing Director	25,760,400	15,641,450	BE, MSc	37	23-Feb-72	Physical Research Lab.
145 Raman, Mr. V. K.*	47	Vice President	4,898,778	3,110,110	B.Com, ACA, ACS, Grad.CWA	22	31-Jul-06	Global Realty Outsourcing Pvt. Ltd.
146 Ramanan, Mr. Ramanathan	49	Vice President	4,484,586	2,702,600	B.Tech	26	22-Jul-81	First Employment
147 Ramanathan, Mr. G. *	43	Principal Consultant	3,796,289	2,332,217	BE	21	23-Jun-86	First Employment
148 Ramanathan, Mr. V.	41	Principal Consultant	3,101,387	1,852,464	BE	19	2-Jan-90	UPTRON India Ltd.
149 Ramani, Mr. Ramaswamy	62	Vice President	2,492,212	1,474,813	CA	37	15-Apr-82	Sundaram & Srinivasan
150 Ramaswamy, Mr. Venguswamy	37	Principal Consultant	3,633,919	2,169,289	MCA	15	9-Dec-93	Reliance Industries Ltd.
151 Randeria, Mr. Yazdi Burjor	37	Associate Vice President	2,503,360	1,538,522	B.Com, IATA Certification	17	1-Apr-05	Airline Financial Support Services (India) Ltd.
152 Rangarajan, Mr.	50	Principal Consultant	2,414,158	1,418,989	BE, PGDIE	29	8-Mar-89	National Productivity Council
153 Rao, Mr. Anand	50	Senior Consultant	2,795,399	1,685,658	BE	26	1-Apr-05	Tata Infotech Ltd.
154 Rao, Mr. B. P.	38	Principal Consultant	3,579,142	2,164,142	BE	16	1-Apr-05	TCS Business Transformation Solutions Ltd.
155 Rao, Mr. Kumar Swami	58	Vice President	2,882,500	1,736,898	MS	32	1-Mar-05	Corp Banca
156 Rao, Mr. Ravishankar Emaneni	39	Senior Consultant	2,444,940	1,506,441	B.Com, PGDSM	15	1-Apr-05	TCS Business Transformation Solutions Ltd.
157 Rao, Mr. Venkata G.	56	Principal Consultant	2,462,692	1,474,466	DME	25	1-Apr-05	Tata Infotech Ltd.
158 Ravichandran, Mr. K.	52	Principal Consultant	2,582,928	1,530,182	BE	30	1-Apr-05	Tata Infotech Ltd.
159 Reddy, Mr. Sreedhar S.	44	Scientist	2,730,703	1,654,473	M.Tech	20	27-Jan-87	First Employment
160 Reguraman, Mr. A.	45	Vice President	3,277,810	1,940,340	M.Tech	22	15-Jul-94	Bharat Heavy Electricals Ltd.
161 Rijhwani, Ms. Uma	41	Principal Consultant	3,008,914	1,819,884	B.Tech	18	16-Apr-90	Emco Electronics
162 Saha, Mr. Arup Kumar	58	Principal Consultant	2,840,407	1,637,316	MSc, PG Dip. in Comp. Mgmt. PG Dip. in Sys. Mgmt.	35	1-Apr-05	Tata Infotech Ltd.
163 Saha, Mr. Modan*	35	Principal Consultant	1,413,369	843,624	B.Tech	13	11-Jul-06	ICICI Bank Ltd.
164 Sahai, Mr. Manoj	44	Principal Consultant	3,309,156	1,949,979	BE	21	16-Aug-89	Indian Oxygen Ltd.
165 Samaradivakera, Mr. Proloy	51	Principal Consultant	2,791,277	1,659,655	M.Tech	25	12-Jul-88	Tinplate Company of India Ltd
166 Sampath, Mr. Narayanan*	48	Principal Consultant	373,114	267,628	M.Tech, MBA	25	14-Aug-06	Strides Arcolab Ltd.
167 Santosh, Ms. Shobha	39	Senior Consultant	2,591,900	1,644,572	MSc	15	4-Sep-95	Datapro
168 Sanyal, Mr. Barindra	60	Vice President	5,236,062	3,082,231	BSc, ACA	31	11-Mar-03	Tata SS Ltd.
169 Sengupta, Dr. Siddhartha	56	Senior Consultant	2,453,529	1,480,814	MSc, PhD	31	1-Apr-05	Tata Infotech Ltd.
170 Sengupta, Mr. Parag*	39	Principal Consultant	4,169,142	2,701,612	B.Com	16	3-Apr-06	Ocwen Financial Solutions Pvt. Ltd.
171 Seshadri, Ms. Rajani	42	Vice President	3,019,400	1,793,368	BE, PGDED	22	18-Sep-89	IDM
172 Seshadrinathan, Mr. P. K.	53	Principal Consultant	2,452,305	1,435,299	M.Tech	30	1-Oct-03	SSI Technologies
173 Sethna, Mr. Behram Rustom	55	Vice President	3,245,030	1,919,062	MIM, MBA	31	1-Jun-76	First Employment
174 Sethuraman, Mr. Gopalakrishnan*	37	Associate Vice President	681,894	485,789	B.Com, ACA, Grad.CWA	14	22-Dec-06	Oracle India Private Limited
175 Shah, Mr. Ravindra Jivandhar	56	Vice President	4,794,632	2,812,826	BE, M.Tech	32	15-Dec-75	Telerad
176 Sharma, Mr. Shubendhu Dwaraka	47	Principal Consultant	2,404,827	1,505,837	BE	26	1-Apr-05	Tata Infotech Ltd.
177 Sherlekar, Dr. Sunil Dattatraya	51	Principal Consultant	3,051,663	1,804,430	M.Tech, PhD	25	29-May-02	Sasken Communication Tech Ltd

Sr. No.	Name	Age (years)	Designation	Gross Remuneration (Rs.)	Net Remuneration (Rs.)	Qualification	Experience (years)	Date of Joining	Previous Employment
178	Sherlekar, Mr. Shirish Dattatraya	46	Senior Consultant	2,422,600	1,614,157	MBBS	18	16-Jan-06	Astra Zeneca
179	Shivarams, Mr. Kumar	42	Principal Consultant	3,028,483	1,833,267	MSc	20	22-Apr-91	Norsk Data (I) Ltd.
180	Shrihari, Mr. L.*	41	Principal Consultant	2,738,095	1,708,860	MS	14	1-Dec-04	Manpower Celerity Solutions Inc.
181	Shroff, Dr. Gautam	43	Vice President	3,580,236	2,110,749	PhD	16	2-Jan-98	IIT, Delhi
182	Simha, Mr. Anantha	49	Principal Consultant	2,470,840	1,496,881	M.Tech	26	1-Sep-93	Cirkisys Technology Ltd., Hong Kong
183	Simon, Mr. Thomas Verghese	46	Vice President	3,296,776	1,951,041	MSW	20	16-Apr-90	Metal Box India Ltd.
184	Sivakumar, Mr. V.	51	Senior Consultant	2,489,321	1,557,317	MBA	28	1-Sep-05	Tata Teleservices Maharashtra Ltd.
185	Sivasamban, Mr. N.	42	Principal Consultant	3,431,528	2,087,581	B.Com, PGDFM, PGDCA	14	6-Jul-00	Tata Teleservices Ltd.
186	Sovani, Mr. Vishwas Bhalchandra*	51	Vice President	786,786	557,426	MD (Pharmacology), Dip.in Mgmt.	28	2-Jan-07	Organon India Limited
187	Srikanth, Ms. Usha	37	Principal Consultant	2,900,686	1,751,446	BE, MMS	14	23-Sep-02	Mphasis
188	Srinivas, Mr. Krishna Mairapady*	42	Principal Consultant	1,014,583	613,454	PGDIE	19	22-Nov-06	HSBC Software
189	Srinivasan, Mr. A.	50	Vice President	3,006,837	1,774,318	M.Tech	24	2-Nov-87	Cholamandalam Software Ltd.
190	Srirangan, Mr. Vijay	52	Vice President	3,570,053	2,079,426	B.Tech, PGDM	28	1-Apr-05	Tata Infotech Ltd.
191	Srivastava, Mr. Jyoti	44	Principal Consultant	2,997,328	1,741,837	B.Tech, PGDM	21	23-Jun-86	First Employment
192	Subramaniam, Mr. N. Ganapathy	48	Vice President	5,817,177	3,442,944	MSc	25	4-Jan-82	First Employment
193	Subramanian, Mr. K.	42	Principal Consultant	2,473,937	1,478,443	ACA	20	24-Jun-87	N Krishnaswamy & Co.
194	Subramanian, Mr. Venkatramani	48	Vice President	3,214,016	1,952,523	PGDM	21	12-Jun-02	Nihilent Technologies
195	Subramanian, Ms. Aarthi	39	Principal Consultant	3,256,337	1,922,038	MS	13	26-Feb-03	Informix / Ascential Software
196	Sukanya, Ms. S.	39	Principal Consultant	2,787,323	1,660,658	BE	18	23-Aug-89	First Employment
197	Suvarna, Mr. Nitin*	38	Associate Vice President	893,364	570,062	ACA	11	22-Dec-06	Accenture
198	Tenny, Mr. Cherian Koshy	44	Principal Consultant	2,577,436	1,579,484	BE, MMS, Master of Fin. Mgmt.	20	1-Apr-05	Tata Infotech Ltd.
199	Thakoor, Mr. Yogeshraj Sharadchandra	41	Principal Consultant	2,862,808	1,696,614	B.Tech	19	18-Aug-94	Larsen & Toubro Ltd.
200	Thakur, Mr. Ram L.	47	Principal Consultant	2,776,005	1,662,379	BE, PGDSM	25	10-Jun-02	GTL Ltd.
201	Thapan, Mr. Rahul	43	Principal Consultant	2,557,913	1,523,664	BE	21	1-Apr-05	Tata Infotech Ltd.
202	Thiagarajan, Mr. Satish Kumar	38	Principal Consultant	2,933,180	1,891,531	B.Tech, CFA, PGDBA	16	12-Nov-98	SB Billimoria and Company
203	Ullas, Mr. Maipalli P.	51	Senior Consultant	2,467,590	1,477,136	BE, PG Dip. in Mkt. Mgmt.	27	1-Apr-05	Tata Infotech Ltd.
204	Vaidyan, Mr. G. George	64	Vice President	3,701,590	2,157,657	BA	40	15-Apr-77	Indian Army
205	Vaitheeswaran, Mr. Ramanathan	50	Principal Consultant	2,591,277	1,519,587	MSc	28	16-May-79	First Employment
206	Valia, Mrs. Ravita Rameshchand	40	Principal Consultant	3,518,371	2,248,136	ACA, MBA	19	2-Feb-06	Lehman Brothers
207	Valyakarani, Mr. Ravi Veeraraghavan*	41	Vice President	524,700	382,555	B.Com, AICWA, ACS.	19	18-Jan-07	Satyam Computer Services Ltd.
208	Vandrevalla, Mr. Phiroz Adi	53	Executive Vice President	8,954,504	5,320,942	B.Com, ACA	25	8-Sep-92	Tandem Computers
209	Varadarajan, Mr. Srinivasan	39	Principal Consultant	3,060,668	1,827,578	BSc, Engg.	17	9-Jul-90	First Employment
210	Varma, Mr. Satish	47	Principal Consultant	3,258,420	1,927,112	M.Tech	24	22-Jul-83	First Employment
211	Vasudevan, Mr. Susheel	43	Principal Consultant	3,269,472	1,945,464	MBA	22	11-Oct-91	Overseas Technologies
212	Vengadam, Mr. Thiru*	48	Principal Consultant	199,468	98,011	BSc, MBA	20	2-May-05	People Soft India
213	Venkatesh, Mr. Narsipur Chandrasekar	49	Principal Consultant	2,846,153	1,691,832	BE	20	1-Dec-93	HAL Aircraft Bureau
214	Venkatesh, Mr. V.	37	Principal Consultant	3,071,486	1,817,206	B.Tech	15	24-Jul-91	First Employment
215	Venkateshwaran, Mr. Subramanian	47	Principal Consultant	2,760,230	1,674,853	BE	23	5-May-05	Datacraft India Ltd.
216	Vidyasagar, Dr. M.	60	Executive Vice President	5,394,937	3,230,252	MSc, PhD	38	19-Apr-00	Centre for AI & Robotics
217	Vijaya, Ms. Deepti P. H.	45	Vice President	3,787,674	2,222,284	BE	24	12-Jul-82	First Employment
218	Vishwanathan, Mr. Ramesh*	43	Vice President	949,468	590,270	ACA	16	4-Jan-07	HP Financial Services
219	Viswanathan, Mr. Palghat Subramaniam*	61	Vice President	2,699,500	1,790,997	BE, PGDBA	38	23-Aug-01	Vishwa Flora Ltd.
220	Viswanathan, Mr. Ravi P. V.	44	Vice President	4,775,509	2,817,739	BE	22	20-Aug-90	DCS Ltd.
221	Warrier, Mr. Sudheer Sankaran	39	Principal Consultant	2,983,486	1,756,750	BE	17	14-Nov-91	Kirloskar Elec. Co. Ltd.

Notes:

- The Gross remuneration shown above is subject to tax and comprises salary, allowances, cash incentive, monetary value of perquisites as per Income Tax Rules and Company's contribution to Provident Fund and Superannuation Fund.
- In addition to the above remuneration, employees are entitled to gratuity, medical benefits, etc. in accordance with the Company's rules.
- The net remuneration is arrived at by deducting from the Gross remuneration, income tax, Company's contribution to Provident Fund, Superannuation Fund and the monetary value of non-cash perquisites, wherever applicable.
- The remuneration as indicated above, includes performance linked payments for employees for the previous year, which were approved by the Management during the year.
- The above details are only for employees located in India.
- Asterisk against a name indicates that the employee was in service or located in India only for a part of the year.

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND
SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2007, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer, employees in the Executive Vice President cadre and the Company Secretary as on March 31, 2007.

Mumbai
April 16, 2007

S. Ramadorai
CEO & Managing Director



Management Discussion and Analysis

1. INDUSTRY STRUCTURE, DEVELOPMENTS AND OUTLOOK

1.1 Growth of Indian Information Technology Industry and Expected Industry Size

With estimated revenues of US\$ 47.8 billion in FY2006-07, the Indian Information Technology - Business Process Outsourcing (IT-BPO) Industry continues to grow thrice as fast as the global IT services industry, clocking a Compounded Annual Growth Rate (CAGR) of 28% since FY 1999-2000. Global Technology related spending remained strong in 2006 (estimated at US\$ 1.5 trillion). The world-wide spend on engineering and R&D is estimated at US\$ 780 billion and engineering spend is expected to be US\$ 1,100 billion by 2020. Source: IDC, NASSCOM in "Strategic Review 2007".

Chart 1: Growth in world-wide IT spends

Amounts in US\$ Billion

	Yr 2005	Yr 2006	Growth
IT Services	444	471	6.1%
BPO	385	423	9.9%
Packaged Software	211	228	8.1%
Hardware	424	457	7.8%
Total	1464	1579	7.9%

Source: IDC, NASSCOM in "Strategic Review 2007"

Chart 2: Growth in world-wide IT services spends

Amounts in US\$ Billion

	Yr 2005	Yr 2006	Growth
IT Outsourcing	159	171	7.3%
Project Based Services	153	162	5.9%
Support & Training	132	138	4.5%
Total IT Services	444	471	6.1%

Source: IDC, NASSCOM in "Strategic Review 2007"

Chart 3: Share of key markets in world-wide IT services spends-2006

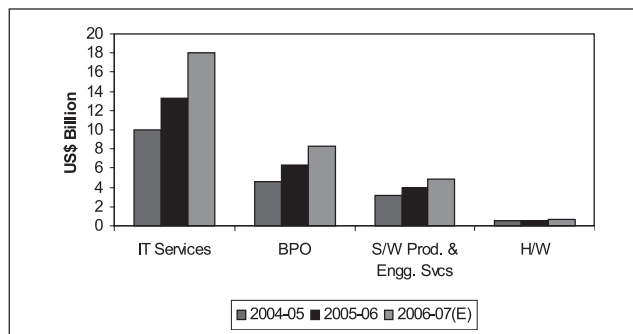
IT Services Market	2006	% Growth
North America	50.0%	7.0%
USA	44.0%	
Western Europe	30.0%	6.4%
Asia Pacific	15.0%	7.5%
Japan	9.0%	
India & China		20.0%
Latin America	2.0%	10.0%
Central Europe, Mid-east & Africa	3.0%	12.0%
Total IT Spend	100.0%	

Source: "Strategic Review 2007"

Chart 4: Share of key markets in world-wide BPO spends-2006

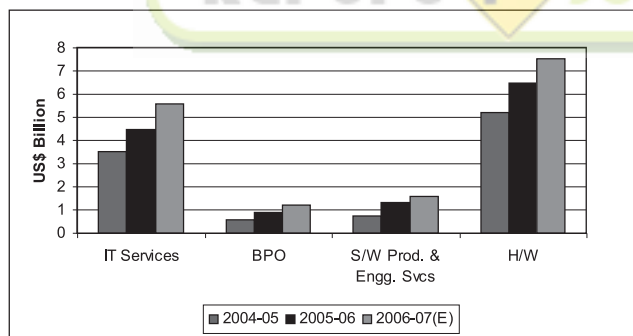
BPO Market	2006	% Growth
North America	68.0%	10.0%
Europe, Middle East & Africa	20.0%	9.0%
Western Europe	18 -19%	
Asia Pacific	12.0%	20.0%
Total IT Spend	100.0%	

Source: "Strategic Review 2007"

Chart 5: IT Exports from India

The Total Indian IT Exports (including hardware & software in addition to services) were US\$ 24.2 billion in 2005-06 with services exports at 97.5% of the total IT exports. The major components of Services Exports were IT Services exports (55%), BPO exports (26%) and software products and engineering services exports (16.5%). NASSCOM estimates that in FY2006-07 Indian IT exports will grow to US\$ 31.9 billion from US\$ 24.2 billion in 2005-06.

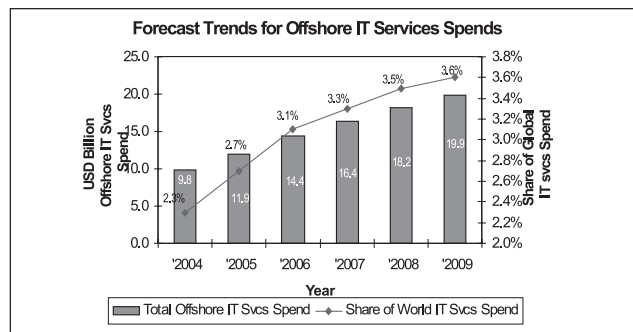
Source: "Strategic Review 2007"

Chart 6: Domestic IT-BPO market

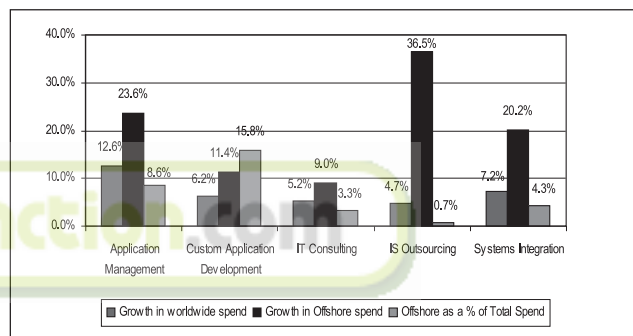
In FY 2005-06, the domestic IT-BPO market was at US\$ 13.2 billion (See Chart 6) and was estimated to grow at 20% to exceed US\$ 15.9 billion in FY 2006-07. The IT services segment in the domestic market is expected to reach US\$ 5.6 billion in FY 2006-07, exhibiting a 24.2% growth over FY 2005-06. The domestic BPO segment is estimated to grow by 29.6 % in 2006-07 and is expected to be about US\$ 1.2 billion in FY 2006-07.

Source: IDC, NASSCOM in "Strategic Review 2007"

1.2 Size and Scope of Global Opportunity

Chart 7: Offshore IT Services Spend Forecasts

Source: IDC, NASSCOM

Chart 8: Trend of Offshore IT Services Spend

Source: IDC, NASSCOM

Though offshoring is still a relatively small part of the overall spending, its adoption continues to grow rapidly and this trend is expected to continue (Chart 7). The global services delivery model (Chart 8) is being increasingly accepted in the outsourcing market. This provides opportunities for growth to existing players with global delivery capabilities to increase / extend the scope of their services offerings.

The NASSCOM Strategic Review 2007 estimates that the Indian IT industry has large untapped growth potential in the emerging Global IT offshore market whose addressable market size is in excess of US\$ 330 billion. The report estimates that in view of this huge global opportunity, the Indian IT - BPO industry could grow at an annual rate greater than 25% and generate exports of about US\$ 60 billion and a domestic market of US\$ 13 to 15 billion by 2010.

Source: NASSCOM Strategic Review 2007.

India continues to be the offshoring destination of choice and the NASSCOM Strategic Review 2007 shows India's dominance, with a 58% market share in the offshore IT-BPO space.

1.3 Global Growth Rates and Expected Industry Size

Reputed industry analysts have estimated the expected growth rates of IT spending and CAGR over 2005-10 on various parameters. Though the forecasts vary, these agencies expect the IT industry to continue in its growth trajectory. The forecasts of IDC & Gartner are summarized below:

Chart 9: Forecast of Growth in world-wide IT spend (IDC)

Amounts in US\$ Billion			
Market Forecast	2005	2010	CAGR
IT services	444	589	5.8%
Business services	178	279	9.5%
Total	622	868	6.9%
Project based	179	233	5.3%
Outsourcing	311	473	8.7%
Support & training	132	163	4.3%
Total	622	868	6.9%

Source: IDC, September 2006

Chart 10: Forecast of Growth in world-wide IT spends (Gartner)

Amounts in US\$ Billion			
	2005	2010	CAGR
Total worldwide IT spending (including Telecom)	2703	3411	4.8%
Total worldwide IT spending (excluding Telecom)	1132	1460	5.2%
IT Services Spending	629	856	6.4%

Source: Gartner Dataquest Market Databook, December 2006 Update

The CAGR of 6.4% forecasted by Gartner for global IT services spending for the period 2005-10 (see Chart 10) is lower than the forecast of NASSCOM - IDC of 6.9%.

Chart 11: Forecast of Market Size in 2010 and CAGR by Geographic Regions (Gartner)

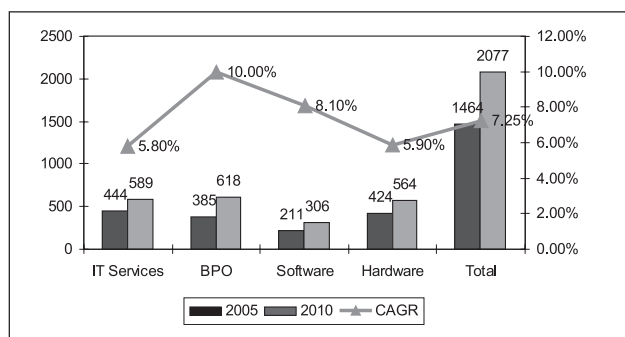
Amounts in US\$ Billion		
Region	Market Size in 2010	CAGR
Americas	1142	4.8%
Latin Americas	242	8.0%
Western Europe	856	1.9%
Central / Eastern Europe	140	6.3%
Middle East / Africa	220	12.2%
Japan	292	1.3%
Asia / Pacific	519	7.9%

Source: Gartner Dataquest Market Databook, December 2006 Update

The expected market size and CAGR by geographic regions (see Chart 11) shows that Americas & Western Europe will be the largest markets but the CAGR in these markets will be low. The Latin American, Middle-East/African and Asian markets, though smaller, are expected to have a higher CAGR and are the strategic focus areas of the Company.

NASSCOM-IDC forecasts: Expected IT spending

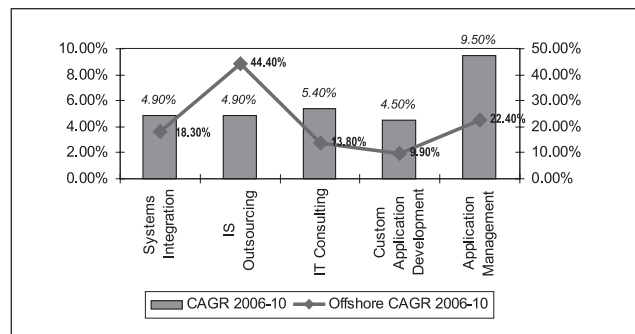
Chart 12: Worldwide IT spending - Global Markets - By services offered



Source: IDC -NASSCOM in "Strategic Review 2007"

NASSCOM estimates Global IT-BPO spending (including Hardware, Software and Services) to have grown by 7% to US\$ 1,464 billion in 2005 and forecasts that it will reach US\$ 2077 billion by 2010 - a CAGR of 7.25% over 2005-10 (see Chart 12). By 2010, offshore spends are expected to reach US\$ 110-120 billion.

Chart 13: Worldwide services spending CAGR - IT Services Markets & offshore element



Source: IDC — BCG Analysis in "Strategic Review 2007"

As per the IDC-BCG analysis, IT services spend will grow at a CAGR of 5.8% during 2006-10. The CAGR breakup of the components of IT services spend for worldwide IT services and the corresponding offshore element of this growth is shown in Chart 13.

The Company's strategy is in line with these reports from reputed external agencies. We continue to grow in multiple geographies, especially in the North American and European markets. We have increased our scale of operations and can deliver services to our world-wide customers from locations in Eastern Europe, Latin America and China. We also have a broad range of services covering a number of key industry verticals. We continue to strengthen our presence in these markets, have broadened our range of offerings, and continue to grow our global business. We expect that our global network of marketing offices and alliances will enable us to take advantage of the opportunities that arise in the marketplace.

1.4 The Company's major offerings

The Company has identified the following major service offerings for achieving its growth aspirations:

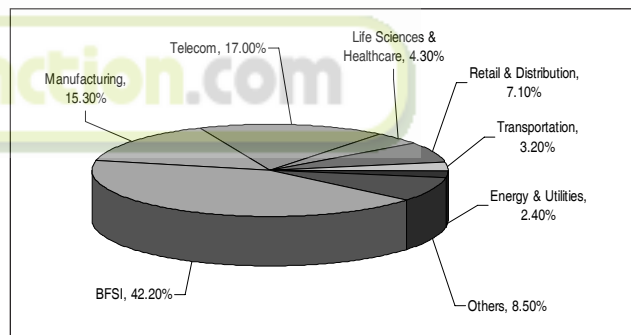
- (i) IT Solutions and Services - Application Development & Maintenance, Technology Solutions, Package Implementation, Systems Integration, Enterprise Solutions, Business Intelligence and Assurance Services.

- (ii) Asset based IT Services.
- (iii) Engineering and Industrial Services
- (iv) IT Infrastructure Services
- (v) Business Process Outsourcing
- (vi) Global Consulting Services

The Industry Verticals where the Company has a sizable presence are:

- (i) Banking & Financial Services
- (ii) Insurance
- (iii) Manufacturing
- (iv) Telecommunications
- (v) Life Sciences and Health Care
- (vi) Retail
- (vii) Transportation
- (viii) Utilities
- (ix) Entertainment and Media

Revenue share of Industry Verticals in FY 2006-07



The Company continuously integrates new verticals and services based on emerging opportunities. Among the new verticals added in recent times are High Technology, Government and Travel & Hospitality.

The Company's sales organization is geography-based.

In addition to India, the geographies in which the Company operates and has sales offices are North America, the UK and Ireland, Europe, Iberoamerica, the Middle East & Africa and the Asia-Pacific region (APAC). Each of these geographies has access to expertise in industry and service practices for effectively addressing market opportunities. The Company had 148 offices worldwide in 39 countries as on March 31, 2007 and operated out of 112 locations / branches world-wide. The Company had 56 Subsidiaries as on March 31, 2007.

In North America the Company has 50 offices in 46 locations. The sales organization has been aligned to meet the needs of our customers.

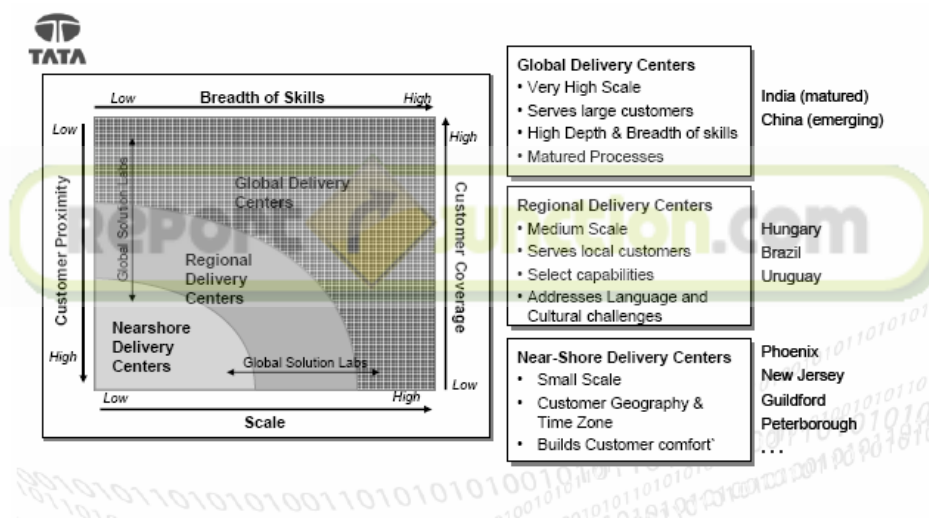
1.5 The Company's Strategy

The Company's strategy is based on three pillars. These are Global Network Delivery Model™, Strategic Acquisitions, and Integrated Full Services Play.

1. Global Network Delivery Model™

The Global Network Delivery Model™ (GNDM™) is a truly global network. GNDM™ is much more than having an India-centric delivery model with near-shore centers and is not about setting up Offshore Development Centres (ODC) in different geographies. The GNDM™ enables our delivery centers to collaborate on projects, leverage all our assets, work on a 'follow-the-sun model' if necessary, and above all, through their homogeneity in terms of quality, skills as well as look-and-feel, give customers the same experience of certainty, irrespective of whether they work with us in Chennai, China or Chile. We are helping customers experience a sense of certainty when they work with us globally.

The breadth and coverage of the GNDM™ is illustrated below:



The Company became the first organization in the world to be certified enterprise-wide for ISO 9001-2000, ISO27001:2005 and ISO 20000:2005 in January 2007. Our customers can continue to experience the certainty of "high quality of service delivery", as we stay focused on continuous improvement of security, quality and processes in an industry where technology changes occur frequently.

2. Strategic Acquisitions

A key driver for growth has been the Company's strategic acquisitions for creating new capabilities that would drive higher levels of synergistic growth. The value being generated by these acquisitions has been significant and so far we have seen only the beginning of synergistic revenue opportunities. We believe that many of the acquisitions we have made in the last couple of years have become force multipliers for the Company in terms of both revenue growth and improved capabilities. Many of the large value deals the Company has been able to win can be attributed to these acquisitions.

A few examples are given below:

- The airline JVs bought by the Company, today form the bedrock of the fast growing Travel and Hospitality business and has resulted in the Company acquiring large customers and winning large deals.
- The acquisition of Financial Network Solutions (FNS) in Australia, has resulted in the Company acquiring a world-class core banking product. The Company has been able to leverage this asset to win large value deals such as a contract of slightly under US \$100 million in China.
- The acquisition of Comicrom, a financial services BPO in Chile, not only gave the Company the language and skill sets to tap the regional BPO market, but also helped the Company to extend its portfolio of services across the continent.

3. Integrated Full-Services Play

The Company is increasing its focus on expanding the breadth of its service offerings and capabilities to become a one-stop service provider. The Company's end-to-end IT Services offering are (i) Application Development & Maintenance; (ii) Technology Solutions (iii) Package Implementation (iv) Systems Integration (v) Enterprise Solutions (vi) Business Intelligence and (vii) Assurance Services. In addition the Company's relatively new offerings include (i) Asset Based Services (ii) Engineering and Industrial Services (iii) IT Infrastructure Services (iv) Business Process Outsourcing and (v) Global Consulting Services.

The power of the GNDM™ as well as our strategic acquisitions is illustrated through our integrated full-services play that now captures the entire value chain of IT — from consulting to products and solutions and from implementation to support. One recent example of all our services at work as part of an Integrated Full Services Play is the \$140m banking/financial services deal from Bank of Pichincha in Ecuador. This deal uses FNS/BANCS the core banking engine from TCS. This entire business initiative was consulting led with the objective of bringing about significant improvement in the cost - income ratio of the bank. In this deal the Company will be offering the bank IT Services, Infrastructure Services and BPO - all using our GNDM™. The Bank of Pichincha will depend on TCS' FNS centre in Sydney and India Development centres for any product customization. It will depend on TCS' Santiago centre for BPO best practices and process management. Any other custom development will be done at TCS' centre in Uruguay.

The Company's process capabilities and range of services provide a compelling value proposition for its existing customers with over 96.8% of our business this year coming from repeat customers. Moreover, these offerings are also witnessing traction among more than the 100 new customers added during the year and give the Company significant opportunities to cross-sell different solutions to customers.

1.6 Strategy for Service offerings

a. IT SOLUTIONS AND SERVICES

The faster growing segments in the software services space are: (a) Assurance (Testing) Services (b) Business Intelligence (c) Enterprise Solutions and (d) Technology Solutions. The Company is growing these business segments faster than its traditional Application, Development and Maintenance (ADM) business. The Company's strategy is to increase its focus on the faster growing segments in this mature market space.

b. ASSET BASED IT SERVICES

The focus of the strategy for this offering is to grow this business using TCS owned software products along with System Integration and Implementation Services. As a part of this strategy, the Company had acquired the Australian company, FNS, with the product BANCS™, a strong, scalable, high-performance Core Banking Solution with an established global customer-base. The acquisition of Swiss banking software and services company TKS-Teknosoft (TKS) in the current year brought additional products viz. Alpha (a

private banking system), and e-Portfolio (a wealth management system) into TCS' fold. Together, with its own products, the Company can now offer solutions across the financial value chain covering both capital markets and commercial banking areas. In fiscal 2007 the Company gained significant wins in products business across the globe. Our offerings expanded beyond product offerings, in the sense that we leveraged the full services play of TCS and structured transformational deals in Latin America for a banking major. We see good opportunities for our products in the BFSI domain across the globe. In order to focus on this business and enhance the momentum that we have gained, we have now formed TCS Financial Solutions as a separate division of the Company, with a view to consolidate all the products businesses. Directionally, the Company is aligned to have one Service Oriented architecture (SOA) - integrated Product Suite, under the umbrella 'Bancs'. This will have the following benefits for us and also for our clients:

- more uniform licensing and product support model
- integrated SOA suite which helps the customer future proof any investment decision
- single sales force reducing complexity in the sales cycle
- better product management aligned to meet customer/market needs without redundancies
- less complexity in understanding the Company and comparing it correctly to the right competitors.

c. ENGINEERING AND INDUSTRIAL SERVICES (EIS)

In order to address the fast growing global Engineering and R&D services market, the Company had set up EIS as a strategic business unit (SBU) in 2004-05. The Company is uniquely positioned in this market as the only service provider with an integrated service offering across the entire engineering value cycle. The drivers of the EIS outsourcing are (a) the imperatives for global firms to develop new and competitive products (b) bringing such new products faster to the market and (c) optimizing their development costs. The enablers for this already exist in the form of (a) a strong engineering talent pool (b) low cost manufacturing and sourcing and (c) state of the art communication infrastructure for collaborative engineering.

The end-to-end services offered from EIS are:

- **Product Engineering**, which includes: (a) Engineering design (b) Product Lifecycle Management (PLM) solutions (c) Knowledge based engineering (d) Engineering analysis and (e) Electronics and embedded hardware and software
- **Plant Design Engineering**, which includes front-end design and detail design of Process Plants
- **Plant Automation Services** which includes: (a) Control System Integration (b) Production Optimization (c) Manufacturing Execution Systems and (d) Adaptive Manufacturing at the shop floor level for manufacturing optimization
- **Sourcing and Manufacturing Services**, which includes: (a) Component Sourcing and (b) Electromechanical Manufacturing Services
- **Enterprise Asset Management Services**, which includes: (a) Reliability Centric Maintenance (RCM) Strategy Development (b) Technology Selection and (c) Technology Deployment
- **Geo Spatial Technologies (GST)**, which includes: (a) GST consulting, technology selection, deployment and enterprises applications integration (b) Remote Sensing / Image processing and (c) Data Management.

The services in this SBU are focused on serving the following verticals: (1) Automotive (2) Hi-Tech and Telecom (3) Aerospace (4) Industrial (5) Oil & Gas and (6) Utilities. The Company's strategy is focused on cross selling to its existing clients and also extending these offerings to new clients. Its process based approach for engineering outsourcing, modeled on SEI-CMMi Level-5, brings unique value to the customer in terms of efficient execution. TCS leverages its subsidiary WTI to optimize value to customers for certain processes such as Digital Mock ups and Data Management.

d. IT INFRASTRUCTURE SERVICES

The Company's clients benefit from TCS' long and extensive practical experience in managing and consolidating complex infrastructure environments. TCS positions itself as an end-to-end IT Infrastructure Services provider, that helps customers enhance Return on Investment (ROI) through (i) remote manageability (ii) providing services based on service level agreement (SLA) and (iii) delivery of its services, based on the Information Technology Infrastructure Library (ITIL) framework.

The Company uses a three-phased roadmap to help clients better align their infrastructure with underlying business objectives:

Phase 1: Reduce operational cost by maximizing offshore leverage and driving resource optimization;

Phase 2: Enhance operational efficiencies through consolidation and rationalization of the infrastructure and applications portfolio;

Phase 3: Drive business effectiveness by aligning SLAs with business goals and ongoing business service management.

The SBU has invested in Technology and Service Management Centers of Excellence (COE) to bring in productivity gains by developing service delivery accelerators. The key components of acceleration will be automation/tooling, knowledge management and problem management. TCS Infrastructure Services aims at using its delivery centers in Canada, Ibero-America and China to provide the right skills, cultural fit and the 'follow the sun' support to its clients. In this context we have invested in creating the required infrastructure, have built appropriate teams and partnerships and imparted the required training.

TCS also leverages the vast and varied experience of its subsidiary, CMC, for providing enhanced value to clients in the space of solution architecture and systems integration. Additionally, TCS along with CMC also provides a deeper resource pool to tap into, for servicing our global clients. The companies (TCS and CMC) have built competencies in Systems Integration work and execution of large and complex Systems Integration projects in India.

e. BUSINESS PROCESS OUTSOURCING (BPO)

The Company has BPO delivery centers in four cities in India, in Eastern Europe, the United Kingdom and in Chile. At the heart of TCS BPO is the same Delivery Excellence and Experience certainty proposition that distinguishes the TCS organization. The Company differentiates itself to address the needs of its customers, through a full service strategy and a Global Network Delivery Model™ (GNDM™). The BPO-ITES offering is an integral part of this full-services, GNDM™ strategy of the Company.

TCS BPO has adopted the following strategies to differentiate itself in the IT Services — BPO space:

- (1) Establishing standardized skills and business processes to be applied on a repeatable basis, to attain economies of scale.
- (2) Capturing cost reduction benefits throughout the services lifecycle, from initial migration to post-implementation support.
- (3) Focussing on platform base BPO. In certain domain areas where TCS has considerable capability to provide solutions, the Company focuses on Platform - based BPO. This was the strategy driving the Company's acquisition of the UK based Pearl BPO operations and setting up of its subsidiary in UK, Diligenta Ltd. Here, the customer (Pearl Group) was looking for a partner to cost effectively address their need for processing their Closed Book Life and Pension Policies in 'Third Party assurance business', while converting their fixed costs to a fully variable cost model, and also consolidating multiple IT systems into a common platform developed and owned by TCS. The Company's strategy was to own the software platform as a vehicle for standardization and provide both the related software and business process services seamlessly to the end client.

Based on an IDC survey report it is clear that customers in many verticals prefer to source all their IT needs and BPO services from a select few partners. Therefore, using the platform-based standardized BPO offerings in its chosen verticals, the Company can offer greater value and benefits to its clients in the insurance, retail, telecommunications, travel & hospitality and healthcare verticals within the next few years. The Company believes that a platform-based approach is most appropriate for industry areas where cost reduction is the strongest driver, and process-level innovation is not a requirement. The Company is focusing its marketing efforts in this direction.

f. GLOBAL CONSULTING SERVICES

The Global Consulting Practice (GCP) partners with enterprises worldwide helping them achieve business transformation by leveraging TCS' industry and technology expertise. A tight integration with TCS gives GCP a strong technology and industry foundation and provides the capacity to implement the recommendations, driving results faster to customers.

To ensure delivery rigor, TCS has developed a strong consulting platform, the TCS Way of Consulting, secured by training, methodologies, standard operating procedures, and strategic support mechanisms.

Specific drivers for the consulting business include:

- Ongoing demand for enterprise transformation
- Business strategy enablement through robust IT strategies
- Disruptive innovation in Business Models to build competitive edge
- Cost, service level inefficiencies and compliance needs in enterprises

The Company is positioning itself as an integrated end-to-end IT Services Provider, integrating the Think, Build and Operate services using GCP as the front-end. As GCP helps customers build the transformation imperatives, set the vision and develop the roadmap, the ability to drive downstream opportunities for IT enablement to deliver the transformational objectives grows multifold.

The global exposure and experience of consultants adopting a practitioner's view to the advisory services, delivering in a Global Network Delivery Model™ will drive the necessary business value at an optimal price for customers.

1.7 Management monitoring and implementation of Company strategies

The Company's senior management monitors performance and constantly strives to improve performance on a quarter-on-quarter basis. The Company has deployed the Balanced Score Card for the implementation of its strategies and has in place, appropriate dashboards for measuring and monitoring the performance of the Company and its various Units. Some key operating metrics and trends which are monitored are shown in the Table below:

Client related Metrics

Client Concentration	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	FY 06-07
Top client Contribution to revenues	4.0%	4.9%	5.7%	6.6%	6.6%
Top 5 clients contribution to revenue	16.7%	16.8%	17.4%	18.5%	18.5%
Top 10 client contribution to revenues	26.8%	26.8%	27.5%	28.4%	28.4%

Client acquisition & expansion	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	FY 06-07
Number of active Clients	764	742	754	780	920
New Clients added in the period	62	58	55	43	218
Revenue from Repeat Business	98.8%	97.9%	96.1%	94.9%	96.8%
Revenue from New Business	1.2%	2.1%	3.9%	5.1%	3.2%

Client Size Analysis	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	FY 06-07
Number of US\$ 1 million clients	258	274	288	297	297
Number of US\$ 5 million clients	97	105	114	119	119
Number of US\$10 million clients	65	70	74	75	75
Number of US\$20 million clients	33	32	37	39	39
Number of US\$50 million clients	10	15	15	14	14

Productivity Metrics

Delivery related select metrics	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	FY 06-07
Utilization Rate:					
Including Trainees	77.3%	75.2%	75.0%	74.7%	74.7%
Excluding Trainees	80.1%	79.4%	78.2%	79.6%	79.6%

Revenue Related Metrics	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	FY 06-07
Location for the rendering of services:					
At Customer Site	58.7%	56.0%	54.3%	54.1%	55.7%
AT TCS Delivery Centers in India	38.1%	41.0%	41.6%	41.3%	40.5%
At TCS Global / Regional Delivery Centers	3.2%	3.0%	4.1%	4.6%	3.8%

Nature of Contract with Client	Q1 FY'07	Q2 FY'07	Q3 FY'07	Q4 FY'07	FY 06-07
Time & Material basis	56.4%	59.1%	59.0%	59.8%	58.7%
Fixed price, fixed time basis	43.6%	40.9%	41%	40.2%	41.3%

Other metrics which are monitored are Revenues by Geography, Industry (Vertical/Domain) and Service Lines. Many of the metrics being monitored are leading indicators for future business and are used for proactive decision-making by the management.

2. OPPORTUNITIES AND THREATS

2.1. Opportunities

The Company is the largest Indian IT Services Company in terms of revenues, profits, number of employees

and market capitalization. Established in 1968 as a Division of Tata Sons, TCS has pioneered the concept of offshore IT services since 1974 and has emerged as an integrated full-services player with a global footprint and scale.

Opportunities for the Company for sustaining profitable growth emerge from increasing acceptance of outsourcing as a relevant business strategy in a globalised world as well as from new solutions and services that can be offered to customers. The opportunity requires us to: (1) acquire new customers who will realize the potential benefits of outsourcing (2) bid for large outsourcing contracts coming up for renewal (3) cross-sell our newer services to existing clients and (4) expand in new markets where opportunities are increasing.

According to the analyst firm Technology Partners International Inc. (TPI), the "outsourcing, off-shoring and strategic sourcing space" is seeing increasing churn as clients restructure or renegotiate contracts with existing vendors. About 25% of the deals have been re-negotiated with an expanded scope of work with new deals not always going to the incumbent provider. *Source: NASSCOM Strategic Review 2007, TPI Index Q3 2006.*

Further, the TPI Index for Q4 of 2006 shows that the share of contracts with values between US\$ 50-200 million has increased from 50% in 2001 to over 70% in 2006. Over the same period, the share of large deals with contract values greater than US\$ 1 billion has declined from 8% in 2001 to 5% in 2006. *Source: NASSCOM Strategic Review 2007, TPI Index Q4 2006.*

The momentum in outsourcing is growing. The number of contracts and the number of service providers signing contracts with total contract value greater than US\$ 50 million is growing consistently. The highest number of broader market restructuring contracts in any year, were awarded in CY 2006. *Source: NASSCOM Strategic Review 2007.*

The Company's global scale and integrated capabilities enable it to bid for such deals by capitalizing on the trend of contracts to multiple vendors replacing the traditional concept of multiple year contracts to a single vendor. Some of the key trends in the Industry that are favorable to the Company for exploiting these emerging opportunities are:

- (i) Clients are more comfortable to partner with large, global players with scale and with uniform high quality and security processes across the enterprise, but prefer to parcel out the outsourcing contract in smaller lots to multiple vendors rather than select a single vendor for all their needs.
- (ii) Clients are considering Tier I Indian companies for larger-sized deals (with decision cycle time of 6 to 12 months). As outsourcing is becoming a global trend and an important driver for the Indian Economy, offshore delivery is now becoming an accepted way of obtaining services. We believe that in the next few years we will see new potential customers beyond the current Fortune 500 listed companies emerging from the US and Western Europe, who will be contracting with industry players like TCS. This will lead to a healthy pipeline of IT services contracts in the future.
- (iii) Clients are demanding delivery excellence from distributed business units using uniform processes globally to deliver a high quality of service.

In order to leverage these opportunities, the Company has over the years taken the following steps:

- (1) Extended its geographic footprint for effectively selling its offerings.
- (2) Maintained its focus on delivering value to its clients using the Practice, Geography, Delivery Centre and Corporate functions in a collaborative mode.

- (3) Strengthened its relationships with existing clients and increased its marketing efforts to acquire new clients.
- (4) Maintained its focus on meeting its promises to customers and ensuring the highest levels of customer satisfaction.
- (5) The Company has recently launched its 'Global Rebranding Strategy'. The purpose of this effort is to re-articulate the Company Brand in the light of the Company's vision to be in the Global Top 10 by 2010. The re-branding campaign aims at communicating the message built around the theme 'Experience certainty' to both the internal and external world. 'Experience certainty' differentiates the Company by leveraging its core strengths of delivery excellence, people, assets and processes. 'Experience certainty' is a crisp articulation of what TCS offers the world. It represents the Company's capacity to deliver and its capability to meet commitments that it makes to others. It represents what TCS stands for, in the conduct of its business. The 'Experience certainty' theme describes in simple terms, the Company's Global Capabilities and Competencies in IT Services, Business Solutions and Outsourcing. The Brand positioning is about projecting the Company as a confident, globally relevant IT partner and value provider that promises a higher degree of certainty of delivery.

2.2. Threats

India remains the preferred offshore destination for IT Services, for its huge talent pipeline as well as its cost effective servicing capability. (Source: *Strategic Review 2007 - Nasscom*).

Some of the key changes in the Industry unfavorable to the Company are:

- (i) Global IT Services and consulting companies are expanding operations in India. Large multinationals are using India's base of knowledge workers to set up back office operations in India and are positioning themselves as full service players with India cost advantage.
- (ii) Increased competitive pressures are driving costs higher as a result of wage inflation due to the intense competition for skilled human resources. Pricing pressures are also increasing due to heightened competition from global and Indian IT companies. Attrition, as well as managing salary expectations, are challenges.
- (iii) Competition from other developing countries like China, which have a reasonable pool of knowledge workers, is increasing. The market for outsourced IT services is becoming more global in nature, leading to a buyer's market. A broader competitive field may create downward pressure on prices as service providers in other parts of the world, including China, Malaysia, Brazil, Mexico, Russia and Eastern Europe enter the IT services market.
- (iv) To cater to increasing customer demand for consultants with strong technology and domain knowledge, the Company will have to invest increasingly higher amounts in equipment, facilities and training of its personnel, who could subsequently be lured away by competitors.

3. RISKS & CONCERNS AND RISK MITIGATION

3.1. Availability of skilled personnel:

India is a major destination for Information Technology (IT) Services and IT Enabled Services (ITES) outsourcing. This has resulted in the growth of Indian IT companies, multinational IT companies who have set up operations in India and the captive organizations of many International companies. Growth in the

Retail, Telecom and Financial Services sectors in India is also significant. All the above organisations are hiring from the same pool of colleges, resulting in a supply crunch.

To address the Availability Risk, the Company has expanded its sourcing base to engineering colleges in Tier II and Tier III cities, and has started recruiting from the Mathematics and Science Bachelors streams. The Company is also replicating its talent acquisition model in supply markets such as China, Latin America and Eastern Europe by leveraging its Global Network Delivery Model™ to create alternative sources of the talent pool.

Employability is becoming a critical factor in the supply side. To address this, the Company has enhanced its academic interaction programs with colleges across the country. Initiatives such as Faculty Development Programs, participating in seminars and lectures to students in colleges, student internships and setting up laboratories in various colleges have been enhanced.

Rising attrition is a major risk in the industry. The Company is addressing this through higher investments in building the competencies of its employees. The Company also address employee aspirations through well planned career management and job rotation and by giving the employees exposure to multiple technologies, domains and geographies. The Company also strives to create a conducive environment for work life balance. The Company has created employee friendly policies which enhance retention of employees. As a result of all these initiatives, the Company has the lowest attrition rate in the industry.

Wage Inflation is the other factor which has an impact on the industry. The Company has a very strong performance management system and a systematic process for annual increments which rewards performance.

3.2. Country level risks:

The Company continues to expand its global footprint and is establishing operations in many countries. Global Delivery Centers in Brazil, China and Mexico are ramping up and a new Delivery Center is being planned in Morocco. Operating in multiple geographies reduces the risk of business concentration in specific markets but increases geo-political and macro-economic risks. To mitigate this risk, the Company carries out a thorough due diligence exercise prior to starting operations in a new delivery location and also keeps a watch on the environment on an ongoing basis. Other mitigation actions include moving more work offshore to India and other delivery locations. At the operational level, the Company has robust crisis management capabilities and comprehensive business continuity plans across locations in case of an unforeseen turn of events.

The Company is also focused on growing its market share in established markets like the US, the UK and Europe. In India it concentrates on projects with scale and complexity and is establishing itself as leading player in new markets like China and Japan, Latin America as well as the Middle-east and Africa.

3.3 Industry Dissonance Risk:

The Company operates in the fast changing Information Technology space where changes in technology can make today's market leaders into market laggards and changes in customer and market needs can result in a mismatch between customer/market requirements and the Company's offerings.

The Company adopts the following approaches to address these risks:

- (i) Growth engines: The Company systematically focuses on addressing emerging buyer trends and

needs by developing solutions such as in infrastructure services or engineering services. We constantly scan the environment for emerging technology areas and develop offerings of value in the selected areas.

- (ii) **Deep customer relationships:** The Company has a deep understanding of its customers' needs and enhances this by engaging systematically with customers on periodic review of customer needs and fulfillment of the same for prospective periods. The sales organization is supported by a team of domain experts who study emerging domain and market trends and shape solutions which address the business needs of our potential and existing customers. This continuous engagement ensures the aligning of our business to meet increasing needs of the customer. These efforts help to reduce buyer/industry dissonance related risks.

3.4. Margin-pressure:

As international players expand their delivery capability from India, their cost patterns are undergoing change. At the same time, the intensified competition for human resources in India is resulting in higher wage levels. Due to the above, margins are under pressure.

The Company is using a multi-pronged approach to address the margin pressures it faces. In order to mitigate this risk, the Company is focusing on creating greater value for its customers and hence for itself. Three different strategies have been used by the Company in this effort.

- (i) **Increasing Offshore Leverage:** The Company is increasing its efforts to enhance revenues from its offshore and global delivery centers. This helps the Company to increase its margins.
- (ii) **Focusing on Rate Increases:** The Company is looking at rate increases for newer business and also for existing businesses which are up for renewal. The Company's rates are competitive and in line with client expectations. In view of its track record, the Company is seen as a credible global consulting organization, with end to end servicing capability. Our Customer Satisfaction Index has been high (consistently in excess of 85% and improving for the last five years) and with the customers perceiving the higher value of our services, they are usually agreeable to rate increases.
- (iii) **Focusing on Cost Management:** The Company is monitoring and steadily bringing down its operating expenses as a percentage of revenue by ensuring that growth in these expenses is minimized in line with Company requirements. Our large accounts are getting larger which helps us drive down sales costs through cross selling. The trends in repeat business as a percentage of total business are very positive indicating the satisfaction and value creation the Company is achieving for its customers.

3.5. New technologies and business models continue to emerge:

The Company operates in the Information Technology Services Industry where fast and dramatic changes in technology, business models and intense competition are a fact of life.

The Company continues to engage in newer business models in order to address changing requirements. This results in alliances, strategic investments and joint ventures. The Company also invests in creating new competencies in emerging areas.

The Company is focused on innovation. Innovation can take many forms, but must result in better productivity of the Company's employees through continuous improvement in processes, systems, methodologies and capabilities, resulting in higher revenues and profits per employee.

TCS' focus on achieving improvements based on innovation has been influenced by the need to harness the implicit knowledge of the people within the organization for continuous improvements. This is practiced by adopting 'derived' innovation, that seeks continuous improvement in every area and by 'platform' innovation, whereby multiple capability and skill teams engage to develop innovative ideas.

Break through innovation: The Company has come up with a Co-Innovation network ('COIN'), which is an ecosystem by which TCS creates innovation networks between TCS and individuals / organizations outside of TCS (who have new products / IP's / ideas) and financiers such as Venture Capitalists. This enables the product partners in 'COIN' to get a bigger market and consequently enables the Company to provide an increased range of offerings to its customers.

As a value proposition, the Company also offers innovatively structured contracts, linking payments to actual attainment of milestones and delivery. Slippage in delivery in such contracts may negatively impact the Company. However, innovative structures also enable the Company to take on increasingly complex projects with outcome-based pricing, (which have opportunities for greater profitability). These projects work with more flexible team structures and can capture greater value by using the Company's replicable solutions, methodologies and tool-sets. The Company ensures that the risks it undertakes are commensurate with returns.

3.6. Risk of Foreign Exchange Translation losses:

The Company's revenues are largely denominated in foreign currency, predominantly US\$, GBP, and Euro. In addition to these currencies we also do business in Australian \$, Canadian \$, South African Rand, and Swiss Franc, among other currencies. Given the nature of the business, a large proportion of the costs are denominated in Indian Rupees (INR). This exposes the Company to profit/loss on currency fluctuations. To mitigate this risk, the Company follows a proactive hedging policy for all the above mentioned currencies. Net exposure is calculated for each currency by deducting expected costs from revenues in that currency. The Company hedges this net currency exposure using foreign exchange forward and options contracts. The tenure of these contracts is up to two years.

As on March 31, 2007, the Company had a hedge position in various currencies equivalent to US\$ 1434 million as compared to a hedge position of US\$ 566 million as on March 31, 2006.

4. FINANCIAL PERFORMANCE

4.1. OVERVIEW

The financial performance of the Company as per Indian GAAP is discussed hereunder in two parts:

- (i) Tata Consultancy Services (TCS) Limited (Unconsolidated) which excludes the performance of its subsidiaries and
- (ii) TCS Limited (Consolidated) which includes the performance of TCS Limited and the subsidiaries of TCS Limited.

TCS Limited conducts its world-wide operations through a large network of branches and 56 subsidiaries established in 39 countries.

The financial statements are prepared in compliance with the Companies Act, 1956 and generally accepted accounting principles in India. In the Consolidated financial statements, the comparative numbers of the previous year ended March 31, 2006 do not include the numbers in respect of the newly setup / acquired subsidiaries, namely, Tata Consultancy Service (China) Co. Ltd. in China, TKS-Teknosoft S.A. in Switzerland, TCS Management Pty Limited in Australia, Tata Solution Center S.A. in Ecuador, Financial Services Beijing Co. Limited in China and PT Tata Consultancy Services in Indonesia and are therefore not strictly comparable with the numbers for the year ended March 31, 2007.

The total income of TCS Limited (Unconsolidated) aggregated Rs. 15,156.52 crore in fiscal 2007 as compared to Rs.11,293.76 crore in fiscal 2006, registering a growth of 34.20%. In fiscal 2007 the Company's (Unconsolidated) profit before taxes aggregated Rs. 4,170.68 crore as compared to Rs. 3,074.35 in the previous fiscal 2006 - a growth of 35.66%.

In fiscal 2007, the total income of TCS Limited (Consolidated) aggregated Rs. 18,914.26 crore as compared to Rs. 13,377.88 crore in fiscal 2006, recording a growth of 41.38%. The consolidated profit before taxes aggregated Rs. 4,918.28 crore in fiscal 2007 as compared to Rs. 3,506.62 crore in fiscal 2006 — a growth of 40.26%.

TCS Limited allotted bonus shares in fiscal 2007 in the ratio of 1 equity share of Re. 1 each for every equity share held. The authorized share capital of the Company post the bonus issue is Rs. 120 crore divided into 120 crore equity shares of Re. 1 each.

For fiscal 2007, TCS Limited declared three interim dividends of Rs. 3 each and has recommended a final dividend of Rs. 4 per share. The first interim dividend of Rs. 3 per share was paid on the pre-bonus paid-up equity capital. The above interim and proposed dividends translate to dividend of Rs. 23 per share on the pre bonus paid up capital base (as against Rs. 13.50 per share for fiscal 2006). Full details of the dividend paid are available in the Director's Report.

During the year, the Company acquired TKS-Teknosoft S.A in Switzerland and TCS Management Pty Ltd in Australia, divested its entire shareholding in Sitel India Private Limited, set up joint ventures viz. MP Online Limited (in partnership with the Government of Madhya Pradesh) and Tata Consultancy Services China Co. Ltd. (in partnership with National Development and Reform Commission of The Peoples Republic of China ('NDRC') representatives - viz. Beijing Zhongguancun Software Park Development Co., Ltd., Uniware Co., Ltd., and Tianjin Huayuan Software Area Construction and Development Co., Ltd.). In addition, the Company has, during the year, set up wholly owned subsidiaries viz. PT Tata Consultancy Services in Indonesia, Tata Solution Center S.A. in Ecuador and Financial Network Services Beijing Co. Ltd., in China.

4.2. TCS LIMITED (UNCONSOLIDATED)

4.2.1.RESULTS OF OPERATIONS - TCS LIMITED (UNCONSOLIDATED)

The Consolidated Financial Statements which comprise the results of TCS Limited and all its subsidiaries are discussed under paragraph 4.3. The Management's Discussion and Analysis under Paragraph 4.2 relates to the financial statements of TCS Limited (Unconsolidated) and the same does not include the results of its subsidiaries.

The Consolidated Financial Statements bring out comprehensively the performance of the Company and are more relevant for understanding the Company's Performance.

The discussion in paragraph 4.2 which follows, should be read in conjunction with the financial statements and related notes relevant to TCS Limited (Unconsolidated) for the year ended March 31, 2007.

The table below gives an overview of the financial results of TCS Limited (Unconsolidated):

TCS Limited (Unconsolidated)

	For the year ended 31/3/2007		For the year ended 31/3/2006		Growth
Income from Operations	Rs crore	% of Income	Rs. crore	% of Income	% Increase
Information Technology and Consultancy services	14407.95	95.06%	10688.86	94.64%	34.79%
Sale of equipment and software licenses	532.02	3.51%	541.64	4.80%	-1.78%
Sub-Total	14939.97	98.57%	11230.50	99.44%	33.03%
Other Income (Net)	216.55	1.43%	63.26	0.56%	242.32%
Total Income	15156.52	100.00%	11293.76	100.00%	34.20%
Expenditure:					
Employee costs	6186.85	-	3999.57	-	-
Overseas business expenses (employee cost related)*	1214.27	-	1287.08	-	-
Total Employee Cost	7401.12	48.83%	5286.65	46.81%	40.00%
Overseas business expenses (other than employee cost related)	274.51	1.81%	229.11	2.03%	19.82%
Services rendered by business associates and others	756.12	4.99%	635.29	5.63%	19.02%
Operating and Other Expenses	2207.25	14.56%	1806.49	15.99%	22.18%
Total Expenditure	10639.00	70.19%	7957.54	70.46%	33.70%
Profit before, Interest, Depreciation, and Taxes	4517.52	29.81%	3336.22	29.54%	35.41%
Interest	3.43	0.02%	4.49	0.04%	-23.61%
Depreciation	343.41	2.27%	257.38	2.28%	33.43%
Profit before Taxes	4170.68	27.52%	3074.35	27.22%	35.66%
Provision for Taxes:					
Income tax expense	395.64	2.61%	337.23	2.98%	17.32%
Fringe benefit tax	17.75	0.12%	20.25	0.18%	-12.35%
Net Profit after taxes	3757.29	24.79%	2716.87	24.06%	38.29%

*'Overseas business expenses' mainly comprise expenses incurred in connection with overseas assignment of employees. The component of overseas business expense relating to employee costs for employees deputed abroad has been grouped with employee costs in the summary above for ease of comparison.

Income

Income from Operations

The Company's revenues consist mainly of income from Information Technology and Consultancy Services and to a lesser extent from sale of equipment and software licenses. Revenues from software licenses are derived primarily from sale of third party products. The Company provides consultancy services either on time and material basis or fixed price fixed time basis.

The Company recognizes revenues from contracts priced on a time and materials basis when services are rendered and related costs incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognized over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognized when such losses are probable.

The Company recognizes revenues from the sale of computer equipment upon delivery, which is when the title passes to the customer. Revenues from maintenance contracts are recognized pro-rata over the period of the contract.

Revenues from Business Process Outsourcing (BPO) services are recognized on time and material, fixed price and unit priced contracts. BPO revenue on time and material, unit priced contracts is recognized as the related services are rendered. BPO revenues from fixed price contracts are recognized as per the proportionate completion method with contract cost determining the degree of completion.

The Company's (unconsolidated) revenues increased by 33.03% to Rs. 14,939.97 crore in fiscal 2007, from Rs. 11,230.50 crore in fiscal 2006. Revenues from information technology and consultancy services increased by 34.79% to Rs. 14,407.95 crore in fiscal 2007 from Rs. 10,688.86 crore in fiscal 2006.

Revenues from sale of equipment and software licenses decreased by 1.78 % to Rs. 532.02 crore in fiscal 2007 from Rs. 541.64 crore in fiscal 2006. The Company's focus on increase in margins without compromising any of its business goals has resulted in elimination of low margin transactions.

Other Income

Other Income in fiscal 2007 increased to Rs. 216.55 crore from Rs. 63.26 crore in fiscal 2006. Other Income comprises interest received on deposits with banks, dividends received on investments in subsidiaries, dividends from mutual funds and gains due to exchange rate fluctuations. Primary reasons for the increase in Other Income are (a) exchange gain in fiscal 2007 of Rs. 55.91 crore compared to a loss of Rs. 69.14 crore (included in Operating and Other expenses in fiscal 2006), (b) profit on sale of stake in SITEL India of Rs. 66.28 crore in fiscal 2007 as compared to Rs. 'Nil' in fiscal 2006 and (c) dividends of Rs. 35.44 crore from investments in Mutual Funds in fiscal 2007 as compared to Rs. 15.05 crore in fiscal 2006.

Expenditure

Employee Costs & Overseas Business expenses

Employee costs consist of compensation of employees. It includes salaries which have fixed and variable components, contribution to provident fund, superannuation fund, and gratuity fund and the employee state insurance scheme. It also includes expenses incurred on staff welfare.

Overseas Business Expenses (an item in Schedule Q - Operating and Other Expenses) comprises primarily expenses incurred in connection with overseas assignment of employees. Employee related costs contained in overseas business expenses have been grouped with employee costs for easy comparison. Management Discussions in this regard would relate to employee costs and the employee cost component in Overseas Business Expenses together, and are hereinafter referred to as 'total employee costs'.

The total employee costs for fiscal 2007 were Rs. 7,401.12 crore, an increase of 40.00% over the total employee costs of Rs. 5,286.65 crore for fiscal 2006. Total employee costs as a percentage of total income was 48.83% in fiscal 2007 (46.81% in fiscal 2006). The increase in the percentage in fiscal 2007 is attributable to the relative increase in the headcount of our global workforce and the increase in the compensation package commensurate with the market.

Accounting Standard 15 relating to employee benefits became effective from April 1, 2006. Consequently, the Company has reviewed and revised its accounting policy, which has resulted in an increase in employee cost by Rs.53.46 crore in fiscal 2007.

Overseas Business Expenses (other than employee allowances)

This head of expenses covers overseas travel expenses, overseas marketing, and overseas office expenses. Expenses on this account went up by 19.82%, from Rs. 229.11 crore in fiscal 2006 to Rs. 274.51 crore in fiscal 2007. In terms of total income, these expenses went down from 2.03% in fiscal 2006 to 1.81% in fiscal 2007. Marketing expenses increased in line with the Company's aggressive growth plans. Other items of expenses went down as a result of the Company's cost control measures.

Services rendered by business associates and others

Payments for services rendered by business associates or sub-contractors engaged for software development and other IT services are included in this head. The Company normally engages these consultants to meet gaps in certain skillsets. Expenses on this score went up by 19.02% from Rs. 635.29 crore in fiscal 2006 to Rs. 756.12 crore in fiscal 2007. In terms of total income, it went down from 5.63% in fiscal 2006 to 4.99% in fiscal 2007. The decrease is attributable to periodic reviews of the need for each of these associates and availability of the required skillsets within the Company.

Operating and Other Expenses

Details of Operating and Other Expenses are shown below:

Details	For the year ended			
	31/3/2007		31/3/2006	
	Rs. crore	% Income	Rs. crore	% Income
Software, hardware and material costs	645.85	4.26%	540.15	4.78%
Cost of software licenses	229.35	1.51%	195.45	1.73%
Communication	196.35	1.30%	163.14	1.44%
Traveling and conveyance expenses	210.17	1.39%	145.24	1.29%
Rent	228.83	1.51%	133.18	1.18%
Legal and professional fees	90.33	0.60%	80.31	0.71%
Repairs and Maintenance	92.19	0.61%	71.13	0.63%
Electricity	93.89	0.62%	66.85	0.59%
Recruitment and training expense	107.44	0.71%	62.67	0.55%
All other expenses	312.85	2.05%	348.37	3.09%
Total Other Expenses	2207.25	14.56%	1806.49	15.99%

Operating and Other Expenses have gone up by 22.18% from Rs. 1,806.49 crore in fiscal 2006 to Rs. 2,207.25 crore in fiscal 2007. In terms of total income, it has gone down from 15.99% in fiscal 2006 to 14.56% in fiscal 2007. The decrease is primarily due to lower material costs incurred in the manufacturing business in fiscal 2007 as compared to fiscal 2006 due to lower volume of manufacturing business. Also, through the exercise of greater cost control, 'All other expenses' are lower in fiscal 2007 as compared to fiscal 2006 due to reduction in (a) provision for doubtful debts and advances, (b) brokerage and commission and (c) insurance. There were increases in (a) rent, due to additional premises taken on lease to meet the operational growth, and (b) recruitment and training, arising out of substantial increase in the number of employees recruited in the year.

Profit before Interest, Depreciation and Taxes

The profit before interest, depreciation and taxes in fiscal 2007 was Rs. 4,517.52 crore, an increase of 35.41% from Rs. 3,336.22 crore in fiscal 2006. The profit as a percentage of income went up from 29.54% in fiscal 2006 to 29.81% in fiscal 2007. Although the employee related costs have gone up, the Company has exercised adequate control on all other expenses and consequently profitability has gone up.

Interest Costs

Interest expenses decreased from Rs. 4.49 crore in fiscal 2006 to Rs. 3.43 crore in fiscal 2007. In terms of percentage of total income, interest has come down from 0.04% in fiscal 2006 to 0.02% in fiscal 2007.

Depreciation

Depreciation charge has increased from Rs. 257.38 crore in fiscal 2006 to Rs. 343.41 crore in fiscal 2007 - an increase of 33.43%. In terms of total income, the depreciation charge was 2.27 % of total income in fiscal 2007 (2.28% in fiscal 2006). Major additions to the Gross Block during fiscal 2007 were Freehold Buildings (Rs. 101.34 crore), Computer Equipment (Rs. 355.41 crore), Leasehold Property Improvements (Rs. 50.22 crore) and Office Equipment (Rs. 61.07 crore). These additions were carried out in order to support the continuing expansion of the Company's business.

Research and Development

Research and Development (R&D) expenditure is charged to the profit and loss account when incurred. Fixed assets utilized for R&D are capitalized and depreciated in accordance with the applicable depreciation rates. Research and development expenditure aggregated Rs. 28.02 crore in fiscal 2007 (Rs. 30.16 crore in fiscal 2006).

Profit before Taxes

Profit before Taxes in fiscal 2007 was Rs. 4,170.68 crore, an increase of 35.66% from Rs. 3,074.35 crore in fiscal 2006. In terms of total income, the Profit before Taxes went up from 27.22% in fiscal 2006 to 27.52% in fiscal 2007. The primary reasons for the increase in the profit before taxes are the same as those for the increase in Profit before Interest, Depreciation and Taxes.

Provision for Taxation

Income tax expense comprises the current income tax and the net change in the deferred tax assets and liabilities in the applicable fiscal period.

Income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. The Company benefits in India from certain tax incentives under section 10A of the Income Tax Act, 1961, for the IT services exported from designated 'Software Technology Parks (STP)'. In addition, benefit from tax incentives applicable to Free Trade Zones are available to the Company in respect of some of the units located in such zones. The benefits applicable to the STPs will expire by the end of March 2009, or upon completion of ten years of the respective STP units, whichever is earlier.

The income tax expense increased by 17.32% from Rs. 337.23 crore in fiscal 2006 to Rs. 395.64 crore in fiscal 2007. Income tax expense represented 2.61% of the total income in fiscal 2007 (2.98% in fiscal 2006). Income tax expense was 9.49% of profit before taxes in fiscal 2007 (10.97% in fiscal 2006). The reduction in average tax rate is primarily attributable to the increase in the offshore component of services rendered from India.

Fringe Benefit Tax (FBT) payable on the value of benefits provided and/or deemed to have been provided to employees declined from Rs. 20.25 crore in fiscal 2006 to Rs. 17.75 crore in fiscal 2007. As a percentage of total income, FBT has declined from 0.18 % in fiscal 2006 to 0.12 % in fiscal 2007.

Net Profit

The Company's net profit registered a growth of 38.29% from Rs. 2,716.87 crore in fiscal 2006 to Rs. 3,757.29 crore in fiscal 2007. Net profit margin on total income went up from 24.06% in fiscal 2006 to 24.79% in fiscal 2007.

4.2.2.FINANCIAL POSITION - TCS LIMITED (UNCONSOLIDATED)

Share Capital

	As at March 31, 2007	As at March 31, 2006
Authorized Share Capital	120.00	60.00
Issued, Subscribed and paid up Share Capital	97.86	48.93

Rs. crore

The Authorized Share Capital was increased to 120 crore equity shares of Re.1 each pursuant to a shareholders' resolution passed at the Annual General Meeting held on June 29, 2006.

The Company allotted 48,93,05,249 equity shares as fully paid up bonus shares on August 9, 2006 by the utilization of Securities Premium Account.

Issued, Subscribed and Paid up Share Capital as on March 31, 2007 was Rs. 97.86 crore divided into 97.86 crore equity shares of Re. 1 each.

Reserves and Surplus

After the allotment of bonus shares by the utilization of Securities Premium Account, the Securities Premium Account as on March 31, 2007 stood at Rs. 2,017.75 (Rs. 2,066.68 crore as on March 31, 2006).

Arising out of the revision effective April 1, 2006 in the Accounting Standard 15 relating to employee benefits, the Company has reviewed and revised its accounting policy in respect of employee benefits. As a result of this change, Rs.132.09 crore (net of tax) identified as transitional provision has been adjusted against the General Reserve.

Out of the profits in fiscal 2007, an amount of Rs. 375.73 crore has been transferred to General Reserve resulting in a closing balance of Rs. 915.12 crore as on March 31, 2007.

Balance in the Profit and Loss Account as on March 31, 2007 stood at Rs. 4,919.99 crore (Rs. 2833.30 crore as on March 31, 2006).

Foreign Currency Translation Reserve was Rs. 34.56 crore as on March 31, 2007 (Rs. 6.64 crore loss as on March 31, 2006) and was primarily on account of mark to market valuation of loan extended to overseas subsidiaries.

Profit/ Loss on Cash Flow Hedges stood at Rs. 73.71 crore as on March 31, 2007 (Rs. 4.42 crore loss as on March 31, 2006). The gain represents effect of mark to market valuation of cash flow hedges taken for projected revenues.

Reserves and Surplus at the end of fiscal 2007 stood at Rs. 7,961.13 crore — an increase of 43.18% over Rs. 5,560.40 crore at the end of fiscal 2006.

Loans

Secured Loans at the end of fiscal 2007 aggregated Rs. 41.76 crore (Rs. 26.52 crore at the end of fiscal 2006). This is due to the increase in overdrafts from banks, which arise due to temporary mismatch of funds flow, and are secured against domestic book debts.

Unsecured loans at the end of fiscal 2007 stood at Rs. 8.98 crore, same as that at the end of fiscal 2006.

Deferred Tax Liability (net)

The Company has a deferred tax liability (net of deferred tax asset) of Rs. 23.00 crore as on March 31, 2007 (Rs. 38.88 crore as on March 31, 2006). The primary reason for the drop in this item is the increase in deferred tax assets in fiscal 2007, arising out of implementation of new Accounting Standard - 15 relating to employee benefits.

Fixed Assets

Addition to the Gross Block (excluding capital work-in-progress) in fiscal 2007 amounted to Rs. 639.95 crore (Rs. 693.07 crore in fiscal 2006).

The significant additions in fiscal 2007 were Leasehold and Freehold Land & Buildings, including Improvement of Leasehold Properties of Rs. 152.30 crore (Rs. 201.69 crore in fiscal 2006) and Computer Equipment Rs. 355.41 crore (Rs. 260.89 crore in fiscal 2006). The amount in capital work-in-progress (Rs. 757.85 crore as on March 31, 2007 against Rs. 280.00 crore as on March 31, 2006) mostly relates to construction / improvement of facilities which are expected to be ready for use in fiscal 2008 and beyond.

The Company made contractual commitments to vendors who are executing various infrastructure projects. The estimated amount of such contracts remaining to be executed on capital account and not provided for (net of advances) was Rs. 749.74 crore as on March 31, 2007 (Rs. 516.58 crore as on March 31, 2006).

Investments

A summary of the Company's investments is given below:

Investments	As on March 31, 2007 (Rs crore)	As on March 31, 2006 (Rs crore)
Trade investments (at cost)	2098.61	1340.68
Investments in Mutual Funds	1157.93	633.61
Total Investments	3256.54	1974.29
Less: Provision for diminution in value of investments	4.50	10.77
Net Investments	3252.04	1963.52

During fiscal 2007, the Company has made the following trade investments / divestments.

Investments

Strategic Investments	Details
Increase in Investment in Diligenta Ltd. (U.K.)	Further to the investment of Rs. 30.86 crore in the preference shares of Diligenta Ltd. in fiscal 2006, the Company has subscribed to 3.8 million preference shares of Diligenta Ltd. during fiscal 2007 for Rs. 332.18 crore.
Increase in Investment in C-Edge Technologies Limited.	The Company has invested Rs.5.07 crore in the equity of C-Edge Technologies Limited (C-Edge) by subscribing to 50,74,500 shares of C-Edge as its share of the equity investment in the Joint Venture (JV) with State Bank of India.
Increase in investment in TCS Iberoamerica	The Company has increased its investment in TCS Iberoamerica to Rs. 165.23 crore as on March 31, 2007 by subscribing to 23,41,33,400 shares during the year for a consideration of Rs. 32.74 crore.
Increase in investment in TCS Netherlands B.V.	The Company has subscribed to 66,000 shares of Tata Consultancy Services Netherlands, B.V. for a consideration of Rs. 387.14 crore. The Investment in TCS Netherlands, B.V. stood at Rs. 402.87 crore as on March 31, 2007 (Rs. 15.73 crore as on March 31, 2006).
Investment in MP Online	The Company has subscribed to 8,90,000 shares of MP Online Limited for a consideration of Rs. 0.89 crore. The Company holds 89% of the equity capital of MP Online. The JV will enable the GoMP and its agencies to deliver government services and information to the citizens through the internet.
Investment in AP Online	The Company subscribed to 2.8 million preference shares for Rs. 2.80 cores in AP Online Limited (a company formed in partnership with the Andhra Pradesh Technology Services), where the Company owns 89% of the equity.
Divestment of shareholding in SITEL India	During fiscal 2007 the Company sold its entire shareholding of 880,000 shares in SITEL India for Rs. 76.98 crore resulting in a profit of Rs. 66.28 crore. SITEL India is primarily in the voice based Customer Care Business Process Outsourcing business and lacked strategic fit with the Company's future plans.

The Company has been investing in various mutual funds. These are typically investments in short-term funds to gainfully use the excess cash balance with the Company. While investing in short-term instruments, the Company balances tax-efficient returns with risks involved in such investments. Investments in mutual funds aggregated Rs. 1,157.93 crore as on March 31, 2007 (Rs. 633.61 crore as on March 31, 2006).

A provision of Rs. 4.5 crore towards impairment of investment in Exegenix Canada made in the books of the erstwhile Tata Infotech Limited (TIL) prior to its merger with TCS has been retained in fiscal 2007 in 'Provision for diminution in value of investments'. Provision for diminution in value of investments in eAF Pte.Ltd (Rs. 6.27 crore) made in fiscal 2005 has been written off in fiscal 2007.

Inventories

The Company had inventories of Rs. 12.06 crore as on March 31, 2007 (Rs. 22.94 crore as on March 31, 2006). The inventory constitutes raw materials, components, sub-assemblies and finished goods. The Inventory is lower as on March 31, 2007 as compared to March 31, 2006 primarily due to reduction in goods-in-transit - Rs. 0.60 crore as on March 31, 2007 against Rs. 8.00 crore as on March 31, 2006.

Current Assets, Loans and Advances

Unbilled Revenues

Unbilled revenues comprise revenue recognized in relation to efforts incurred on Fixed Price Fixed Time Contracts and Time & Material contracts not billed as of the year-end. Unbilled revenues stood at Rs. 523.88 crore as on March 31, 2007 (Rs. 353.91 crore as on March 31, 2006) representing 3.46% of the total income for fiscal 2007 (3.13% for fiscal 2006). Advance billing stood at Rs. 407.98 crore as on March 31, 2007 (Rs. 197.74 crore as on March 31, 2006) representing 2.69 % of the total income for fiscal 2007 (1.75% for fiscal 2006).

Sundry Debtors

Sundry Debtors as on March 31, 2007 aggregated Rs. 2,799.80 crore (Rs. 2,325.83 crore as on March 31, 2006). Provision for bad and doubtful debts in fiscal 2007 was Rs. 59.39 crore (Rs. 58.63 crore in fiscal 2006). The Company has increased its focus on collection of ageing outstanding amounts during the year and successfully reduced the amounts considered doubtful as a percentage of total income from 0.52% in fiscal 2006 to 0.39% in fiscal 2007.

Cash and Bank Balances

As on March 31, 2007, the Company had Cash & Bank balance of Rs. 557.14 crore (Rs. 171.17 crore as on March 31, 2006).

Loans and Advances

Loans and Advances as on March 31, 2007 stood at Rs. 1,363.74 crore (Rs. 1,116.91 crore as on March 31, 2006). Significant items of Loans and Advances were: loans to subsidiary companies Rs. 263.29 crore (Rs. 379.97 crore as on March 31, 2006), advances and loans to employees Rs. 250.35 crore (Rs. 227.41 crore as on March 31, 2006), advance tax paid Rs. 90.48 crore (Rs. 100.14 crore as on March 31, 2006) and loans & advances provided for miscellaneous purposes Rs. 759.62 crore (Rs. 409.39 crore as on March 31, 2006).

Current Liabilities

Current Liabilities went up to Rs. 1,689.85 crore as on March 31, 2007 from Rs. 1,180.14 crore as on March 31, 2006. This increase is primarily due to the increase in Sundry Creditors from

Rs. 737.09 crore as on March 31, 2006 to Rs. 868.48 crore as on March 31, 2007 and the increase in Advance Billing and Deferred Revenues from Rs. 197.74 crore as on March 31, 2006 to Rs. 407.98 crore as on March 31, 2007.

Provisions

Provisions made towards taxes, employee retirement benefits, contingencies, proposed dividend, tax on dividend and warranties aggregated Rs. 905.05 crore as on March 31, 2007 (Rs. 540.54 crore as on March 31, 2006). The increase is mainly attributable to increase in provision for employee benefits Rs. 289.71 crore as on March 31, 2007 (Rs. 136.08 crore as on March 31, 2006), increase in provision for the proposed dividend payout (including tax on dividend) Rs. 457.97 crore as on March 31, 2007 (Rs. 251.07 crore as on March 31, 2006).

A contingency provision of Rs. 46.83 crore (Rs. 44.29 crore as on March 31, 2006 and an additional Rs. 2.54 crore provided in fiscal 2007) towards estimated demands on the Company by the Regional Provident Fund Commissioner has been reversed in fiscal 2007, pursuant to a judgement given in favour of the Company by the Hon'ble High Court of Judicature at Bombay vide its Order dated September 20, 2006.

4.2.3. CASH FLOW - TCS LIMITED (UNCONSOLIDATED)

The Company's growth has been financed largely by cash generated from operations. The Company has sufficient cash generated from operations for meeting its working capital requirements as well as the requirements for capital expenditure. In addition, the Company has short term working capital facilities with various banks.

As on March 31, 2007, the Company had available lines of credit with multiple bankers aggregating US\$ 30 million and Rs. 2,230.00 crore (including funded (Rs. 1,920 crore) and unfunded (Rs. 310 crore) credit limits). Of this USD 21.41 million and Rs. 393.11 crore were utilized as on March 31, 2007.

Cash Flow from Operations

Particulars	Fiscal 2007 Rs. crore	Fiscal 2006 Rs. crore	Increase / (Decrease) Rs. crore
Profit before taxes and exceptional items	4170.68	3074.35	1096.33
Depreciation	343.41	257.38	86.03
Others	(147.33)	(23.36)	(123.97)
Operating Profit before working capital changes	4366.76	3308.37	1058.39
Effect of Working Capital Changes	(451.41)	(561.02)	109.61
Cash Generated from Operations	3915.35	2747.35	1168.00
Tax Payments made	(364.09)	(402.93)	38.84
Net cash provided by operating activities	3551.26	2344.42	1206.84

In fiscal 2007 the Company generated net cash of Rs. 3,551.26 crore (Rs. 2,344.42 crore in fiscal 2006) from operating activities. Apart from profit before taxes and exceptional items of Rs. 4,170.68

crore (Rs. 3,074.35 crore in fiscal 2006), the net cash generated includes adjustments for non cash items like depreciation of Rs. 343.41 crore (Rs. 257.38 crore in fiscal 2006). Other significant items contributing in the generation / use of cash from operating activities include changes in the current assets and current liabilities such as increase in unbilled revenues Rs. 169.97 crore (Rs. 204.23 crore in fiscal 2006), increase in debtors Rs. 474.73 crore (Rs. 705.49 crore in fiscal 2006), increase in loans and advances Rs. 262.22 crore (Rs. 30.93 crore in fiscal 2006), increase in current liabilities and provisions Rs. 444.63 crore (Rs. 369.35 crore in fiscal 2006) and payment of income taxes Rs. 364.09 crore (Rs. 402.93 crore in fiscal 2006).

Cash Flow from Investment Activities

Particulars	Fiscal 2007 Rs. crore	Fiscal 2006 Rs. crore	Increase / (Decrease) Rs. crore
Purchase of Fixed Assets	(1117.80)	(606.50)	(511.30)
Purchase of Trade Investments	(489.86)	(345.58)	(144.28)
Purchase of other Investments (Net)	(498.66)	(192.09)	(306.57)
Loans Given to Subsidiaries(Net)	(75.32)	(376.02)	300.70
Sale of Investment in SITEL	76.98	-	76.98
Other	28.24	55.22	(26.98)
Net cash used by Investment activities	(2076.42)	(1464.97)	(611.45)

In fiscal 2007 the Company used Rs. 2,076.42 crore on investment activities (Rs. 1464.97 crore in fiscal 2006). The significant items in fiscal 2007 were: Purchase of fixed assets Rs. 1,117.80 crore (Rs. 606.50 crore in fiscal 2006), purchase of trade investments Rs. 489.86 crore (Rs. 345.58 crore in fiscal 2006), purchase of other investments Rs. 498.66 crore (Rs. 192.09 crore in fiscal 2006), loans given to subsidiaries Rs. 75.32 crore (Rs. 376.02 crore in fiscal 2006). The main item of cash generated was from the sale of the investment in SITEL India for Rs. 76.98 crore in fiscal 2007 (Nil in fiscal 2006). Other cash flows from investment activities included proceeds from sale of assets, dividend, interest and inter-corporate deposits received aggregating Rs. 28.24 crores in fiscal 2007 (Rs. 55.22 crores in fiscal 2006).

Cash Flow from Financing Activities

Particulars	Fiscal 2007 Rs. crore	Fiscal 2006 Rs. crore	Increase / (Decrease) Rs. crore
Borrowings (net)	15.24	(85.48)	100.72
Dividends paid including dividend tax	(1087.10)	(792.31)	(294.79)
Interest Paid	(3.49)	(4.51)	1.02
Net cash used in Financing activities	(1075.35)	(882.30)	(193.05)

In fiscal 2007 the significant items of cash used in financing activities were payment of dividend Rs.1,087.10 crore including tax (Rs. 792.31 crore in fiscal 2006) and net additional borrowings of Rs. 15.24 crore in fiscal 2007 (Rs. 85.48 crore net repayment in fiscal 2006).

Cash Position

Cash and cash equivalents as on March 31, 2007 amounted to Rs. 557.14 crore (Rs. 171.17 crore as on March 31, 2006).

4.3. TCS LIMITED (CONSOLIDATED)

The Management Discussion and Analysis in this Paragraph 4.3 relates to the consolidated financial statements of TCS Limited and includes the results of its subsidiaries. The Discussion should be read in conjunction with the financial statements and related Notes to the Consolidated Accounts of TCS Limited for the year ended March 31, 2007.

4.3.1. RESULTS OF OPERATIONS - TCS LIMITED (CONSOLIDATED)

The table below gives an overview of the financial results of TCS Limited (Consolidated):

	For the year ended 31/3/2007		For the year ended 31/3/2006		
Income from Operations	Rs. crore	% of total Income	Rs. crore	% of total Income	% Increase
Information Technology and Consultancy services	17806.60	94.14%	12408.68	92.76%	43.50%
Sale of equipment and software licenses	878.61	4.65%	855.31	6.39%	2.72%
Sub-Total	18685.21	98.79%	13263.99	99.15%	40.87%
Other Income (Net)	229.05	1.21%	113.89	0.85%	101.12%
Total Income	18914.26	100.00%	13377.88	100.00%	41.38%
Expenditure:					
Employee costs	7743.33	-	4719.19	-	-
Overseas business expenses (employee costs paid overseas)*	1340.96	-	1392.33	-	-
Total Employee Cost	9084.29	48.03%	6111.52	45.68%	48.64%
Overseas business expenses (other than employee costs paid overseas)	287.10	1.52%	231.01	1.73%	24.28%
Services rendered by business associates and others	845.61	4.47%	661.08	4.94%	27.91%
Operating and Other Expenses	3329.36	17.60%	2576.08	19.26%	29.24%
Total Expenditure	13546.36	71.62%	9579.69	71.61%	41.41%
Profit before Interest, Depreciation, and Taxes	5367.90	28.38%	3798.19	28.39%	41.33%
Interest	9.45	0.05%	9.14	0.07%	3.39%
Depreciation	440.17	2.33%	282.43	2.11%	55.85%
Profit before Taxes	4918.28	26.00%	3506.62	26.21%	40.26%
Provision for Taxes:					
Income tax expense	644.10	3.41%	487.25	3.64%	32.19%
Fringe benefit tax	19.86	0.10%	22.32	0.17%	-11.02%
Net Profit for the year before Minority Interest and share of profit of associate	4254.32	22.49%	2997.05	22.40%	41.95%
Minority Interest	(42.77)	-0.23%	(29.84)	-0.22%	43.33%
Share of profit of associate	1.08	0.01%	(0.47)	-	-
Net Profit	4212.63	22.27%	2966.74	22.18%	42.00%

* 'Overseas business expenses' mainly comprise expenses incurred in connection with overseas

assignment of employees. The component of overseas business expense relating to employee costs for employees deputed abroad has been grouped with employee costs in the summary above for ease of comparison.

Income

Income from Operations

The Company's revenues as per the consolidated accounts increased by 40.87% to Rs. 18,685.21 crore in fiscal 2007 from Rs. 13,263.99 crore in fiscal 2006. The consolidated revenues from Information Technology and Consultancy Services increased by 43.50% to Rs. 17,806.60 crore in fiscal 2007 from Rs. 12,408.68 crore in fiscal 2006.

Consolidated revenues from sale of equipment and software licenses increased by 2.72% to Rs. 878.61 crore in fiscal 2007 from Rs. 855.31 crore in fiscal 2006. The Company's focus on increase in margins without compromising any of its business goals has resulted in elimination of low margin transactions.

Revenues by Segments

The classification of revenues by geography and industry practice is more relevant under the consolidated results of the Company.

Revenue by Geography

Geography	2006-07	2005-06
Americas	52.43%	57.06%
United Kingdom (UK)	20.29%	15.52%
Europe	8.19%	6.91%
Ibero America	3.85%	1.98%
India	9.00%	12.49%
Asia Pacific	4.78%	4.11%
Middle East / Africa	1.46%	1.93%
Total	100.00%	100.00%

While the business growth in the Americas is in line with the plan, the Company has been focusing on higher growth in Europe and Iberoamerica in addition to the UK. As a result, the concentration of business in the Americas has come down in the current fiscal.

Revenue by Significant Industry Practice

Industry Practice	2006-2007	2005-2006
Banking, Financial Services and Insurance (BFSI)	43.89%	38.77%
Manufacturing	12.72%	15.97%
Retail & Distribution	5.90%	5.00%
Telecom	16.09%	14.78%
Others	21.40%	25.48%
Total	100.00%	100.00%

The Company's business in the BFSI segment continues to gain strength. Telecom and Retail business segments are also growing significantly. In absolute terms all the verticals have shown growth.

Revenue by Significant Services

Service Lines	For the year ended 31/3/2007 % of revenue	For the year ended 31/3/2006 % of revenue
Application Development and Maintenance (ADM)	52.2%	58.2%
Business Intelligence	9.5%	8.5%
Engineering & Industrial Services (EIS)	5.8%	6.6%
Infrastructure Services	6.0%	4.4%
Enterprise Solutions	12.2%	13.8%
Global Consulting	3.4%	2.9%
Asset Leverage Solutions	2.8%	2.7%
Assurance Services	2.3%	1.5%
Business Process Outsourcing (BPO)	5.8%	1.4%
Total Revenue	100.0%	100.0%

The Company's newer service offerings such as Infrastructure Services, Global Consulting, Assurance Services and BPO have been showing significant growth.

Other Income

Consolidated Other Income in fiscal 2007 increased to Rs. 229.05 crore from Rs. 113.89 crore in fiscal 2006. Primary reasons for the increase in Other Income are (a) exchange gain (net) of Rs. 46.09 crore in fiscal 2007 compared to a loss of Rs. 68.40 crores (included in operating and other expenses) in fiscal 2006, (b) gain from sale of the Company's minority shareholding (40%) in SITEL India of Rs. 66.90 crore in fiscal 2007 (Rs. 'Nil' in fiscal 2006) and (c) dividend income of Rs. 38.22 crore (Rs. 18.14 crore in fiscal 2006) arising out of deployment of available funds primarily in Mutual Funds and (d) profit on redemption of investments in Mutual Funds Rs.10.07 crore (Rs. 3.29 crore in fiscal 2006).

Expenditure

Employee Costs & Overseas Business expenses

The consolidated total employee costs for fiscal 2007 was Rs. 9,084.29 crore, an increase of 48.64% over fiscal 2006 (Rs. 6,111.52 crore). Employee costs as a percentage of total income was 48.03% in fiscal 2007 and 45.68% in fiscal 2006. The increase in fiscal 2007 is attributable to the relative increase in the headcount of our global workforce and increase in the compensation package commensurate with the market.

Overseas Business Expenses (other than employee costs)

Expenses on this account went up by 24.28%, from Rs. 231.01 crore in fiscal 2006 to Rs. 287.10 crore in fiscal 2007. In terms of total income, these expenses went down from 1.73% in fiscal 2006 to

1.52% in fiscal 2007. Marketing expenses increased in line with the Company's aggressive growth plans. Other items of expenses went down as a result of the Company's cost control measures.

Services rendered by business associates and others

Expenses on this score went up by 27.91% from Rs. 661.08 crore in fiscal 2006 to Rs. 845.61 crore in fiscal 2007. Expressed as a percentage of total income, it went down from 4.94% in fiscal 2006 to 4.47% in fiscal 2007. The decrease is attributable to periodic reviews of the need for each of these associates and the availability of the required skillsets within the Company.

Operating and Other Expenses

Details of Operating and Other Expenses are given in the table below.

Particulars				
	For the year ended 31/3/2007		For the year ended 31/3/2006	
	Rs. crore	% Income	Rs. crore	% Income
Software, hardware and material costs	819.12	4.33%	793.44	5.93%
Cost of software licenses	318.22	1.68%	234.21	1.75%
Communication expenses	237.83	1.26%	192.35	1.44%
Traveling and conveyance expenses	346.02	1.83%	241.87	1.81%
Rent	300.77	1.59%	189.03	1.41%
Legal and professional fees	196.03	1.04%	121.25	0.91%
Repairs and maintenance	122.15	0.65%	83.42	0.62%
Electricity expenses	115.86	0.61%	75.99	0.57%
Recruitment and training expenses	144.80	0.77%	78.96	0.59%
All Other Expenses	728.56	3.84%	565.56	4.23%
Total Other Expenses	3329.36	17.60%	2576.08	19.26%

Operating and Other Expenses have gone up by 29.24% from Rs. 2,576.08 crore in fiscal 2006 to Rs. 3,329.36 crore in fiscal 2007. In terms of total income, this has gone down from 19.26% in fiscal 2006 to 17.60% in fiscal 2007. The decrease is primarily attributable to (a) reduction in material costs incurred by the manufacturing business as a result of reduction of volume of business, (b) lower cost of software licenses due to reduction in volume and (c) lower communication expenses due to enhancement in technology. These are partly offset by (a) increase in recruitment and training costs and (b) marginal increases in rent, traveling and conveyance, legal and professional fees and facility related costs.

Profit before Interest, Depreciation and Taxes

The profit before interest, depreciation and taxes in fiscal 2007 was Rs. 5,367.90 crore, an increase of 41.33% over Rs. 3,798.19 crore in fiscal 2006. The profit as a percentage of total income was 28.38% in fiscal 2007 (28.39% in fiscal 2006).

Interest Costs

Interest Costs increased by 3.39% from Rs. 9.14 crore in fiscal 2006 to Rs. 9.45 crore in fiscal 2007. In terms of percentage of total income, interest has come down from 0.07% in fiscal 2006 to 0.05% in fiscal 2007.

Depreciation

Depreciation charge has increased from Rs. 282.43 crore in fiscal 2006 to Rs. 440.17 crore in fiscal 2007 — an increase of 55.85%. In terms of total income, the depreciation charge was 2.11% in fiscal 2006 and 2.33% in fiscal 2007. This increase is due mainly to the addition of Freehold Buildings (Rs. 101.33 crore) and Computer Equipment (Rs. 387.33 crore) in fiscal 2007, in order to meet the need of the expanding business.

Research and Development

Research and development expenditure aggregated Rs. 40.89 crore in fiscal 2007 (Rs. 41.88 crore in fiscal 2006).

Profit before Taxes

Profit before Taxes in fiscal 2007 was Rs. 4,918.28 crore, an increase of 40.26% over Rs. 3,506.62 crore in fiscal 2006. In terms of total income the Profit before Taxes went down marginally from 26.21% in fiscal 2006 to 26.00% in fiscal 2007 due mainly to increase in depreciation.

Provision for Taxation

Income tax expense comprises taxes on income from operations in India and foreign tax jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expenses relating to overseas operations are determined in accordance with tax laws applicable in countries where such operations are carried out.

The Company benefits in India from certain tax incentives as explained earlier.

The Company's consolidated income tax expense in fiscal 2007 increased by 32.19% to Rs. 644.10 crore from Rs. 487.25 crore in fiscal 2006. Income tax expense was 3.41% of the total income in fiscal 2007 (3.64% in fiscal 2006). Income tax expense on profit before taxes was 13.10% in fiscal 2007 and 13.90% in fiscal 2006. The reduction in average tax rate is primarily attributable to the increase in the offshore component of services rendered from India.

Fringe Benefit Tax (FBT) payable by the employers on the value of benefits provided and/or deemed to have been provided to its employees aggregated Rs. 19.86 crore in fiscal 2007 (Rs. 22.32 crore in fiscal 2006). FBT was 0.10% of the total income in fiscal 2007 as compared to 0.17% in fiscal 2006.

Net Profit before Minority Interest and Share of Profit of Associates

The Company's net profit before minority interest registered a growth of 41.95% from Rs. 2,997.05 crore in fiscal 2006 to Rs. 4,254.32 crore in fiscal 2007. Net profit margin on the total income went up from 22.40% in fiscal 2006 to 22.49% in fiscal 2007.

Minority Interest

Minority Interest is that part of the net profit attributable to third party ownership interests in the Company's subsidiaries.

The charge to the Company's net profit on account of Minority Interests registered a growth of 43.33% from Rs. 29.84 crore in fiscal 2006 to Rs. 42.77 crore in fiscal 2007. Minority Interest Charge as a percentage of total income went up marginally from 0.22% in fiscal 2006 to 0.23% in fiscal 2007.

Share of Profit of Associate

The Company has investments in other companies in which it has significant influence by virtue of ownership of 20% to 50% in the equity capital of the said companies. In its consolidated books of accounts TCS Ltd. recognizes its share of income or loss in the investee companies on the principles of equity method of accounting.

The Company's share of profit of associates as a result of such minority shareholding was Rs. 1.08 crore in fiscal 2007 as compared to a loss of Rs. 0.47 crore in fiscal 2006.

Net Profit

The Company's net profit (Consolidated) registered a growth of 42.00% from Rs. 2,966.74 crore in fiscal 2006 to Rs. 4,212.63 crore in fiscal 2007. Net profit margin on total income went up from 22.18% in fiscal 2006 to 22.27% in fiscal 2007.

4.3.2. FINANCIAL POSITION - TCS LIMITED (CONSOLIDATED)

Share Capital

Rs. crore

	As at March 31, 2007	As at March 31, 2006
Authorized Share Capital	120.00	60.00
Issued, Subscribed and paid up Share Capital	97.86	48.93

The Authorized Share Capital was increased to 120 crore equity shares of Re.1 each pursuant to a shareholders' resolution passed at the Annual General Meeting held on June 29, 2006.

The Company allotted 48,93,05,249 equity shares as fully paid up bonus shares on August 9, 2006 by the utilization of Securities Premium Account.

Issued, Subscribed and Paid up Share Capital as on March 31, 2007 was Rs. 97.86 crore divided into 97.86 crore equity shares of Re. 1 each.

Reserves and Surplus

In accordance with the transitional provisions contained in Accounting Standard 15 for Employee Benefits (which is effective from April 1, 2006), the difference of Rs.142.61 crore (net of tax) between the liability in respect of short-term employee benefits existing on the date of adoption and the liability that would have been recognized at the same date under the previous accounting policy has been adjusted in the General Reserves.

Out of the profits in fiscal 2007, an amount of Rs. 382.14 crore has been transferred to General Reserve. The balance in General Reserve was Rs. 921.05 crore as on March 31, 2007 (Rs. 681.52 crore as on March 31, 2006).

Balance in the Profit and Loss Account as on March 31, 2007 stood at Rs. 5,721.12 crore (Rs. 3,190.57 crore as on March 31, 2006).

Foreign Currency Translation Reserve was Rs. 13.19 crore as on March 31, 2007 (Rs. 1.06 crore as on March 31, 2006).

Profit/ Loss on Cash Flow Hedges stood at Rs. 73.71 crore as on March 31, 2007 (Rs. 4.42 crore loss as on March 31, 2006). The gain represents the effect of mark to market valuation of cash flow hedges taken for projected revenues.

Reserves and Surplus at the end of fiscal 2007 stood at Rs. 8,752.24 crore - an increase of 47.10% over Rs. 5,949.88 crore in fiscal 2006.

Loans

Secured Loans at the end of fiscal 2007 were Rs. 63.09 crore (Rs. 86.07 crore at the end of fiscal 2006). Shipment loans as on March 31, 2007 were 'nil' (Rs. 42.54 crore as on March 31, 2006). This was offset by short-term loans from banks of Rs. 15.00 crore as on March 31, 2007 (Rs. 'Nil' as on March 31, 2006), and higher overdraft of Rs. 44.52 crore as on March 31, 2007 (Rs. 38.59 crore as on March 31, 2006). Obligations under finance lease stood at Rs. 3.57 crore as on March 31, 2007 (Rs. 4.94 crore as on March 31, 2006).

Unsecured Loans at the end of fiscal 2007 were Rs. 443.66 crore, against Rs. 30.62 crore at the end of fiscal 2006. Short-term loans from banks as on March 31, 2007 stood at Rs. 'Nil' (Rs. 4.53 crore as on March 31, 2006). Other loans from banks as on March 31, 2007 were Rs. 434.70 crore (Rs. 'Nil' as on March 31, 2006). These were commercial borrowings taken by the Company and by its North American subsidiary. Loans included Commercial Paper of Rs. 'Nil' as on March 31, 2007 (Rs. 5 crore as on March 31, 2006), and loans from other sources were Rs. 8.96 crore as on March 31, 2007 (Rs. 21.09 crore as on March 31, 2006).

Deferred Tax Liability / Asset

The Company has deferred tax liability of Rs. 71.70 crore (Rs. 47.26 crore as on March 31, 2006) and deferred tax asset of Rs. 72.44 crore (Rs. 23.69 crore as on March 31, 2006). The reason for the increase in deferred tax assets in fiscal 2007 is primarily attributable to additional tax assets created for employee benefits Rs. 39.59 crore as on March 31, 2007 (Rs. 3.08 crore as on March 31, 2006).

Fixed Assets

Addition to the Gross Block (excluding capital work-in-progress) in fiscal 2007 amounted to Rs. 1,250.40 crore (Rs. 825.29 crore in fiscal 2006). The significant additions in fiscal 2007 were (a) Leasehold and Freehold Land & Buildings Rs. 114.55 crore, (b) Improvement of Leasehold Properties Rs. 51.96 crore and (c) Computer Equipments Rs. 387.33 crore. The amount in capital work-in-progress was Rs. 793.04 crore as on March 31, 2007 (Rs. 708.96 crore as on March 31, 2006) and mostly related to construction / improvement of facilities which are likely to be ready for use in fiscal 2008 and beyond.

The Company made contractual commitments to vendors who are executing various infrastructure projects. The estimated amount of such contracts remaining to be executed on capital account and not provided for (net of advances) was Rs. 758.22 crore as on March 31, 2007 (Rs. 524.87 crore as on March 31, 2006). Contractual Commitments on Capital account at the end of fiscal 2007 are primarily

for infrastructure (95% of the total commitments) and Computer & Equipment Purchases (5% of the total commitment).

In March 2006 the Company acquired through its subsidiary Diligenta Ltd. certain businesses of the Pearl Group and thereby acquired Goodwill (Rs. 254.28 crore) and contract rights giving rise to intangible asset (Rs. 195.93 crore) and right to use software licenses (Rs. 69.16 crore). These were effective April 1, 2006.

Goodwill on Consolidation

Goodwill on consolidation as on March 31, 2007 is Rs. 1068.34 crore (Rs. 733.90 crore as on March 31, 2006). The increase is mainly on account of (a) investment by the Netherlands subsidiary in TKS Teknosoft in Switzerland (Rs. 287.99 crore), (b) acquisition by its wholly-owned subsidiary TCS FNS Pty Limited of 100% equity interest in TCS Management Pty Ltd. (Rs. 26.62 crores) and (c) additional equity investment by TCS Ltd in TCS Iberoamerica (Rs. 18.62 crore).

Investments

A summary of the investments is given below:

Rs. crore

Investments	As on March 31, 2007	As on March 31, 2006
Long-term Investments (at cost)		
Investments in fully paid up equity shares (Quoted)	-	4.77
Investments in fully paid up equity shares of associates & others (Unquoted)	9.31	7.62
Investments in fully paid up preference shares of associates and others(Unquoted)	9.25	15.54
Investments in Bonds and Debentures (Quoted)	29.26	4.86
Investments in Bonds and Debentures (Unquoted)	0.11	1.67
Current Investments (at cost)		
Investments in Mutual Funds (Unquoted)	1208.94	676.46
Total Investments	1256.87	710.92
Less: Provision for diminution in value of investments	-	6.30
Net Investments	1256.87	704.62

The Company has been investing in various mutual funds. These are typically investments in short-term funds to gainfully use the excess cash balance with the Company. While investing in short-term instruments, the Company balances tax-efficient returns with risks involved in such investments. Investments in mutual funds aggregated Rs. 1,208.94 crore as on March 31, 2007 (Rs. 676.46 crore as on March 31, 2006).

Provision for diminution in value of investments is Rs. 'Nil' as on March 31, 2007 (Rs. 6.30 crore as on March 31, 2006). The provision made in earlier period towards impairment of the investment in eAF Pte.Ltd has been written off in fiscal 2007.

During fiscal 2007, the Company made the following investments through its subsidiaries:

Investment	Details
Investment in PT Tata Consultancy Services , Indonesia	Tata Consultancy Services Malaysia SDN BHD and Tata Consultancy Services Asia Pacific Pte Ltd. set up a wholly owned subsidiary, PT Tata Consultancy Services, in Indonesia, to provide consulting and IT related services in Indonesia which has been identified as a potentially large market for TCS.
Investment in Tata Consultancy Services (China) Co. Ltd.	TCS Asia Pacific Pte Ltd. acquired 72.22% shares in Tata Consultancy Services (China) Co. Ltd., set up in partnership with Chinese companies. The JV would enable the Company to grow its global delivery capability from China and provide a base to serve the rapidly growing Chinese domestic market.
Investment in TKS Teknosoft S.A , Switzerland	Tata Consultancy Services Netherlands B.V. acquired in October 2006, 75% equity interest in Switzerland based TKS-Teknosoft S.A,(TKS) for a consideration of Rs. 368.06 crore (CHF 102.30 million). The balance shares of TKS were bought back by TKS for Rs. 121.18 crore (CHF 34 million). TKS has been the Company's exclusive marketing agent in Switzerland and France for the last 25 years. The acquisition has strengthened the Company's ability to serve its customers in these countries in a seamless manner from sales to delivery and also gave TCS worldwide marketing rights to Quartz®, TCS' proprietary wholesale banking product.
Investment in TCS Management Pty. Ltd., Australia	TCS FNS Pty. Limited, acquired 100% shares in an Australia based company TCS Management Pty. Ltd., for Rs. 15.75 crore (A\$ 4.56 million). The acquisition provides business and technology transformation capabilities and enhances the Company's capabilities in the consulting space.
Investment in Financial Network Services Beijing Co. Ltd.	TCS FNS Pty. Limited set up a Financial Network Services Beijing Co. Ltd., in China. This wholly owned company will enable the Company to focus on the core banking solutions and related jobs emanating from China.
Investment in TATA Solution Center S.A.	TCS BPO Chile S.A. and TCS Inversiones Chile Limitada set up a wholly owned subsidiary TATA Solution Center S.A in Ecuador. This subsidiary will enable TCS to offer its services in Ecuador.

Discussion on the unconsolidated accounts (paragraph 4.2.2) covers the investments made directly by TCS Limited.

Inventories

The Company had inventories of Rs. 41.60 crore as on March 31, 2007 (Rs. 80.64 crore as on March 31, 2006). The inventory constitutes raw materials, components, sub-assemblies and finished goods.

Current Assets, Loans and Advances

Unbilled Revenues

Unbilled revenues stood at Rs. 783.50 crore as on March 31, 2007 (Rs. 480.05 crore as on March 31, 2006) representing 4.14 % of the total income for fiscal 2007 (3.59% as on March 31, 2006).

Sundry Debtors

Sundry Debtors as on March 31, 2007 aggregated Rs. 4,297.93 crore (Rs. 3,253.13 crore as on March 31, 2006). As a percentage of total income, sundry debtors were at 22.72% as on March 31, 2007 as compared to 24.32% as on March 31, 2006. The amount of provision towards bad and doubtful debts in fiscal 2007 was Rs. 96.84 crore (Rs. 106.27 crore in fiscal 2006). The Company has increased its focus on collection of ageing outstanding amounts during the year and has successfully reduced the amounts considered doubtful as a percentage of total income from 0.79% in fiscal 2006 to 0.51% in fiscal 2007.

Cash and Bank Balances

As on March 31, 2007 the Company had Cash & Bank balance of Rs. 1,396.45 crore (Rs. 432.38 crore as on March 31, 2007).

Loans and Advances

Loans and Advances as on March 31, 2007 were Rs. 1,356.92 crore (Rs. 918.75 crore as on March 31, 2006). Significant items of loans and advances were, advances and loans to employees Rs. 251.83 crore (Rs. 232.73 crore as on March 31, 2006), advances recoverable in cash or kind or for value to be received Rs. 964.22 crore (Rs. 569.95 crore as on March 31, 2006) and advance tax (including refunds receivable) Rs. 140.87 crore (Rs. 116.07 crore as on March 31, 2006).

Current Liabilities

Current liabilities went up to Rs. 2,522.14 crore as on March 31, 2007 as compared to Rs. 1,726.47 crore as on March 31, 2006. This increase is primarily due to increase in Sundry Creditors to Rs. 1,379.96 crore as on March 31, 2007 from Rs. 1,023.41 crore as on March 31, 2006 and an increase in advance billing and deferred revenues from Rs. 357.66 crore as on March 31, 2006 to Rs. 530.04 crore as on March 31, 2007. Balance in Other Liabilities as on March 31, 2007 stood at Rs. 423.04 crore (Rs. 159.83 crore as on March 31, 2006). The increase in creditors is attributable to the higher volume of business.

Provisions

Provisions made towards taxes, employee retirement benefits, contingencies, proposed dividend, tax on dividend and warranties aggregated Rs. 1,023.66 crore as on March 31, 2007 as against Rs. 571.63 crore as on March 31, 2006. The increase is mainly attributable to increased provisions for employee benefits Rs. 364.61 crore as on March 31, 2007 (Rs. 151.05 crore as on March 31, 2006) and increased provision for the proposed dividend payout including the tax on dividend as on March 31, 2007 Rs. 460.03 crore (Rs. 252.13 crore as on March 31, 2006). A contingency provision of Rs. 46.83 crore (Rs. 44.29 crore as at March 31, 2006 and an additional Rs. 2.54 crore provided in fiscal 2007) towards estimated demands on the Company by the Regional Provident Fund Commissioner has been reversed in fiscal 2007, pursuant to a judgement given in favour of the Company by the Hon'ble High Court of Judicature at Bombay vide its Order dated September 20, 2006.

The consolidated accounts include a provision of Rs. 25.25 crore (GBP 2.96 million) to recognize Diligenta Ltd.'s legal obligation to undertake dilapidations that existed on the date of inception of a 12 year leasehold agreement. Under the terms of the lease agreement dated 31st March, 2006, Diligenta Limited is obliged to carry out an agreed schedule of internal and external decorations and repairs - known collectively as Dilapidations. The dilapidation work has to be carried out by 31st March, 2008 to the reasonable satisfaction of Pearl Assurance PLC. This provision is entirely offset by an escrow fund held by Pearl and as work is undertaken, it is charged against the escrow which then reduces the receivable from Pearl (the escrow amount) and the provision amount.

4.3.3. CASH FLOW - TCS LIMITED (CONSOLIDATED)

Cash Flow from Operations (Consolidated)

	Fiscal 2007	Fiscal 2006	Increase / (Decrease)
	Rs. crore	Rs. crore	Rs. crore
Profit before taxes and exceptional items	4918.28	3506.62	1411.66
Depreciation	440.17	282.43	157.74
Others	(183.01)	(16.43)	(166.58)
Operating Profit before working capital changes	5175.44	3772.62	1402.82
Effect of Working Capital Changes	(1061.60)	(687.52)	(374.08)
Cash Generated from Operations	4113.84	3085.10	1028.74
Tax Payments made	(641.97)	(596.85)	(45.12)
Net cash provided by Operating Activities	3471.87	2488.25	983.62

In fiscal 2007 the Company generated net cash of Rs. 3,471.87 crore (Rs. 2,488.25 crore in fiscal 2006) from operating activities. Apart from profit before taxes of Rs. 4,918.28 crore (Rs. 3,506.62 crore in fiscal 2006), the net cash generated includes adjustments for non cash items like depreciation Rs. 440.17 crore (Rs. 282.43 crore in fiscal 2006). Other significant items contributing to generation / use of cash from operating activities include changes in the current assets and current liabilities

such as increase in unbilled revenues Rs. 304.35 crore (Rs. 243.18 crore in fiscal 2006), increase in debtors Rs. 966.96 crore (Rs. 979.87 crore in fiscal 2006), increase in loans and advances Rs. 345.02 crore (Rs. 93.34 crore in fiscal 2006), increase in current liabilities and provisions Rs. 515.69 crore (Rs. 637.95 crore in fiscal 2006) and payment of income taxes Rs. 641.97 crore (Rs. 596.85 crore in fiscal 2006).

Cash Flow from Investment Activities (Consolidated)

	Fiscal 2007	Fiscal 2006	Increase / (Decrease)
	Rs. crore	Rs. crore	Rs. crore
Purchase of Fixed Assets	(1248.59)	(658.65)	(589.94)
Purchase of Other Investments	(495.68)	(211.88)	(283.80)
Acquisition of Subsidiaries (net of cash acquired of Rs. 207.33 crore)	(180.41)	(658.06)	477.65
Sale of Investment in SITEL (net of cash of Rs. 4.56 crore)	72.42	-	72.42
Other	38.62	92.90	(54.28)
Net cash used by Investment Activities	(1813.64)	(1435.69)	(377.95)

In fiscal 2007 the Company used Rs. 1,813.64 crore on investment activities (Rs. 1,435.69 crore in fiscal 2006). The significant items of cash used in investment activities in fiscal 2007 are (a) purchase of fixed assets Rs. 1,248.59 crore (Rs. 658.65 crore in fiscal 2006), (b) acquisition of subsidiaries (net of cash) of Rs. 180.41 crore (Rs. 658.06 crore in fiscal 2006), (c) purchase of other investments Rs. 495.68 crore (Rs. 211.88 crore in fiscal 2006). The main item of cash generated was sale of the entire investment in SITEL India for Rs. 72.42 crore (net of cash of Rs. 4.56 crore) in fiscal 2007 (Rs. 'nil' in fiscal 2006). Other cash flows from investment activities included proceeds from sale of assets, dividend, interest and inter-corporate deposits received aggregating Rs. 38.62 crore in fiscal 2007 (Rs. 92.90 crore in fiscal 2006).

Consolidated Cash Flow from Financing Activities

	Fiscal 2007	Fiscal 2006	Increase / (Decrease)
	Rs. crore	Rs. crore	Rs. crore
Proceeds from issue of shares by subsidiaries	21.13	-	21.13
Borrowings (net)	392.54	(112.01)	504.55
Dividends paid including dividend tax	(1088.16)	(792.28)	(295.88)
Dividends paid to a minority shareholder of a subsidiary	(3.68)	(3.33)	(0.35)
Interest Paid	(8.65)	(9.13)	0.48
Net cash used in Financing Activities	(686.82)	(916.75)	229.93

In fiscal 2007 the significant item of cash used in financing activities was payment of dividend including tax Rs.1,088.16 crore (Rs. 792.28 crore in fiscal 2006). Borrowings aggregated Rs. 392.54 crore in fiscal 2007 (Repayment of Rs. 112.01 crore in fiscal 2006).

Cash Position

Cash and cash equivalents as on March 31, 2007 amounted to Rs. 1,396.45 crore (Rs. 432.38 crore as on March 31, 2006).

5. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate systems of internal control commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use or losses, executing transactions with proper authorization and ensuring compliance of corporate policies.

The Company has a well defined delegation of power with authority limits for approving revenue as well as capital expenditure. Processes for formulating and reviewing annual and long-term business plans have been laid down. The Company uses a state of the art ERP system to record data for accounting and management information purposes and connects to different locations for efficient exchange of information. It has continued its efforts to align all its processes and controls with global best practices.

The Company has appointed Ernst & Young Private Limited to carry out internal audit of the Company's activities. The audit is based on an Internal Audit Plan, which is reviewed each year in consultation with the statutory auditors and the Audit Committee. In line with international practice, the planning and conduct of internal audit is oriented towards the review of controls in the management of risks and opportunities in the Company's activities. The Internal Audit process is designed to review the adequacy of internal control checks in the system and covers all significant areas of the Company's operations such as software delivery, accounting and finance, procurement, employee engagement, travel, insurance, IT processes in the Company, including the domestic and selected foreign branches. Safeguarding of assets and their protection against unauthorized use are also a part of these exercises.

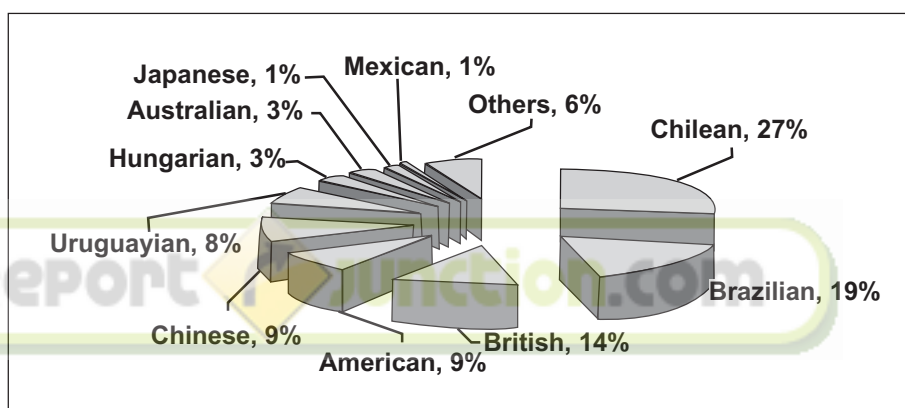
The Company has an Audit Committee, the details of which have been provided in the Corporate Governance Report. The Audit Committee reviews Audit Reports submitted by the Internal Auditors. Suggestions for improvement are considered and the Audit Committee follows up on the implementation of corrective actions. The Committee also meets the Company's statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems in the Company and keeps the Board of Directors informed of its major observations from time to time.

6. DEVELOPMENTS IN HUMAN RESOURCES

During fiscal 2007, the Company has made substantial addition to human resources. In fiscal 2007 the Company had a gross addition of 32,462 employees (27,377 employees in fiscal 2006) and a net addition of 22,750 employees in fiscal 2007 (21,140 employees in fiscal 2006) primarily through recruitment in fiscal 2007 and through recruitment and mergers and acquisitions in fiscal 2006. The total number of employees in the Company as on March 31, 2007 was 85,582 (62,832 as on March 31, 2005). The attrition rate of 11.3% in fiscal 2007 (9.9%

in fiscal 2006) is one of the lowest in the industry. The second level analysis of the attrition rate over the last 12 months shows that the IT attrition rate was 10.6% and the BPO attrition rate was 20.2%. This low attrition rate has been achieved by continuously investing in learning and development programs for employees, competitive compensation, creating a compelling work environment, empowering employees at all levels as well as a well-structured reward and recognition mechanism. Even though 59% i.e. 43,890 persons of the net average headcount during the year have been recruited in the last two years, the average work experience of 48% of the workforce is more than 3 years which shows the Company's success in attracting and retaining employees.

As on March 31, 2007, women constituted 26% of the work force (24% as on March 31, 2006) and the Company employed persons from 67 different nationalities in fiscal 2007 (53 in fiscal 2006). Non-Indian nationals aggregated 9.6% of the total workforce as on March 31, 2007 (6.5% in fiscal 2006). The composition of our non-Indian workforce as on March 31, 2007 is shown below:



Continuous interaction with universities and other educational institutions remains a central plank of the Company's strategy to attract the best scientific and engineering talent and engage in cutting-edge research and development in partnership with universities. Keeping this in mind and the Company's staunch belief that the future of this industry will be driven by the ability of the Company to Innovate, the Company has set up a customer focused global innovation network and also an Industry -Academia collaboration network with some of the foremost Universities in the world. The Company had alliances in place with 45 universities / academic institutions in the USA, the UK, Singapore, the Latin American countries and India.

7. CAUTIONARY STATEMENT

Certain statements made in the Management Discussion and Analysis Report relating to the Company's objectives, projections, outlook, expectations, estimates, etc. may constitute 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ from such expectations, projections etc., whether express or implied. Several factors could make significant difference to the Company's operations. These include climatic conditions and economic conditions affecting demand and supply, government regulations and taxation, natural calamities, etc. over which the Company does not have any direct control.

Corporate Governance Report for the year 2006-07

(as required under Clause 49 of the Listing Agreements entered into with Stock Exchanges)

The Company's shares were listed on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited on August 25, 2004. Accordingly, the Corporate Governance Report for the year 2006-07, which has been prepared pursuant to the provisions of Clause 49 of the Listing Agreements contains details relating to previous years only for the period commencing from August 25, 2004.

I. Company's Philosophy on Corporate Governance

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. It is firmly believed that good governance practices would ensure efficient conduct of the affairs of the Company and help the Company achieve its goal of maximising value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision of becoming a truly global software company, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the Tata Group.

As a part of the Tata Group, the Company has a strong legacy of fair, transparent and ethical governance practices. The Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors. Both these Codes are available on the Company's website. The Company's corporate governance philosophy has been further strengthened through the Tata Business Excellence Model, the Tata Code of Conduct for Prevention of Insider Trading, as also the Code of Corporate Disclosure Practices. The Company has in place an Information Security Policy that ensures proper utilisation of IT resources.

The Company is in compliance with the requirements of the revised guidelines on corporate governance stipulated under Clause 49 of the Listing Agreements with the Stock Exchanges. With the adoption of a Whistle Blower Policy last year and the setting up of a Nominations Committee and an Executive Committee of the Board this year, the Company has moved further in its pursuit of excellence in corporate governance.

II. Board of Directors

- i) The Company has 8 Directors with a Non-Executive Chairman. Of the 8 Directors, 7 (i.e. 87.50%) are Non-Executive Directors and 6 (i.e. 75%) are Independent Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreements entered into with the Stock Exchanges and exceeds by far the percentages prescribed in the said Agreements.
- ii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees across all the companies in which he is a Director. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2007 have been made by the Directors.
- iii) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other directorships do not include alternate directorships, directorships of private limited companies, Section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

Name of the Director	Category	No. of Board Meetings during the year 2006-07		Whether attended last AGM held on June 29, 2006	No. of Directorships in other public companies		No. of Committee positions held in other public companies	
		Held	Attended		Chairman	Member	Chairman	Member
Mr. R.N. Tata (Chairman) DIN 00000001	Non-Independent, Non-Executive	8	7	Yes	11	2	-	-
Mr. S. Ramadorai (Chief Executive Officer & Managing Director) DIN 00000002	Non-Independent, Executive	8	8	Yes	2	9	1	2
Mr. Aman Mehta DIN 00009364	Independent, Non-Executive	8	7	Yes	-	5	2	4
Mr. Naresh Chandra DIN 00015833	Independent, Non-Executive	8	8	Yes	-	8	1	8
Mr. V. Thyagarajan DIN 00017541	Independent, Non-Executive	8	8	Yes	-	1	-	-
Prof. Clayton M. Christensen DIN 00020111	Independent, Non-Executive	8	4	No	-	-	-	-
Dr. Ron Sommer * DIN 00621387	Independent, Non-Executive	5#	5	N.A. Appointed after the AGM.	-	-	-	-
Mrs. Laura M. Cha ** DIN 00909210	Independent, Non-Executive	3#	3	N.A. Appointed after the AGM.	-	-	-	-

* Appointed as Additional Director on September 5, 2006

** Appointed as Additional Director on November 2, 2006

Details provided from the date of appointment

- iv) Eight Board Meetings were held during the year and the gap between two meetings did not exceed four months. The dates on which the Board Meetings were held are as follows:

April 17, 2006, May 19, 2006, July 18, 2006, September 5, 2006, October 16, 2006, November 2, 2006, January 15, 2007 and February 28, 2007.

- v) None of the Non-Executive Directors have any material pecuniary relationship or transactions with the Company.
- vi) During the year, information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for its consideration.

III. Audit Committee

- i) The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

- ii) The terms of reference of the Audit Committee are broadly as under:
- Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
 - Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
 - Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - Reviewing the financial statements and draft audit report, including quarterly / half yearly financial information.
 - Reviewing with management the annual financial statements before submission to the Board, focussing primarily on:
 - any changes in accounting policies and practices;
 - major accounting entries based on exercise of judgment by management;
 - qualifications in draft audit report;
 - significant adjustments arising out of audit;
 - the going concern assumption;
 - compliance with accounting standards;
 - compliance with stock exchange and legal requirements concerning financial statements;
 - any related party transactions as per Accounting Standard 18.
 - Reviewing the Company's financial and risk management policies.
 - Disclosure of contingent liabilities.
 - Reviewing with the management, external and internal auditors, the adequacy of internal control systems.
 - Reviewing the adequacy of internal audit function, including the audit charter, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
 - Discussion with internal auditors of any significant findings and follow-up thereon.
 - Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - Reviewing compliances as regards the Company's Whistle Blower Policy.
- iii) The Audit Committee meetings are usually held at the Corporate Office of the Company and are usually attended by the Managing Director, Chief Financial Officer, Vice President – Finance, representatives of the Statutory Auditors and representatives of the Internal Auditors. The Operations Heads are invited to the meetings, as required. The Company Secretary acts as Secretary of the Audit Committee.
- iv) The previous Annual General Meeting of the Company was held on June 29, 2006 and it was attended by Mr. Aman Mehta, Chairman of the Audit Committee.

- v) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name	Category	No. of Meetings during the year 2006-07	
		Held	Attended
Mr. Aman Mehta, Chairman	Independent, Non-Executive	8	7
Mr. Naresh Chandra	Independent, Non-Executive	8	8
Mr. V. Thyagarajan	Independent, Non-Executive	8	8

- vi) Eight Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: April 17, 2006, May 19, 2006, July 18, 2006, September 5, 2006, October 16, 2006, December 18, 2006, January 15, 2007 and February 28, 2007.

The necessary quorum was present at all the meetings.

IV. Remuneration Committee

- i) The Company has constituted a Remuneration Committee of Directors.
- ii) The broad terms of reference of the Remuneration Committee are as under:
- To approve the Annual Remuneration Plan of the Company;
 - To approve the remuneration and commission / incentive remuneration payable to the Managing Director for each financial year;
 - To approve the remuneration and Annual Performance Bonus payable to the Chief Financial Officer and the Executive Vice Presidents of the Company for each financial year;
 - Such other matters as the Board may from time to time request the Remuneration Committee to examine and recommend / approve.

Mr. S. Padmanabhan, Executive Vice President and Head – Global HR, functions as Secretary of the Remuneration Committee.

- iii) The composition of the Remuneration Committee and the details of meetings attended by the members of the Remuneration Committee are given below:

Name	Category	No. of Meetings during the year 2006-07	
		Held	Attended
Mr. Aman Mehta, Chairman	Independent, Non-Executive	2	2
Mr. R.N. Tata	Non-Independent, Non-Executive	2	1
Mr. Naresh Chandra	Independent, Non-Executive	2	2

- iv) Two meetings of the Remuneration Committee were held during the year - on April 17, 2006 and February 28, 2007.
- v) The Chairman of the Remuneration Committee, Mr. Aman Mehta, was present at the last Annual General Meeting of the Company held on June 29, 2006.
- vi) The Company does not have any Employee Stock Option Scheme.

vii) Remuneration Policy:

The Company's remuneration policy is driven by the success and performance of the individual employee and the Company. Through its compensation programme, the Company endeavors to attract, retain, develop and motivate a high performance workforce. The Company follows a compensation mix of fixed pay, benefits and EVA based variable pay. Individual performance pay is determined by business performance and the performance of the individuals measured through the annual appraisal process.

The Company pays remuneration by way of salary, benefits, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director. Annual increments are decided by the Remuneration Committee within the salary scale approved by the Members and are effective April 1, each year. The Remuneration Committee decides on the commission payable to the Managing Director out of the profits for the financial year and within the ceilings prescribed under the Companies Act, 1956, based on the performance of the Company as well as that of the Managing Director.

During the year, the Company paid Sitting Fee of Rs.10,000 per meeting to its Non-Executive Directors (NEDs) for attending meetings of the Board and of the Audit Committee and of Rs.5,000 per meeting for attending meetings of other Committees of the Board. The Members have at the Annual General Meeting of the Company held on July 19, 2005 approved of payment of commission to the Non-Executive Directors within the ceiling of 1% of the net profits of the Company as computed under the applicable provisions of the Companies Act, 1956. The said commission is decided each year by the Board of Directors and distributed amongst the NEDs based on their attendance and contribution at Board and certain Committee meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

viii) Details of Remuneration for the year ended March 31, 2007:

a) Non-Executive Directors:

Name	Commission (Rs. Lakhs)	Sitting Fees (Rs. Lakhs)
Mr. R.N. Tata	48.00	0.80
Mr. Aman Mehta	55.35	1.60
Mr. Naresh Chandra	51.55	1.75
Mr. V. Thyagarajan	46.80	1.60
Prof. Clayton M. Christensen	11.75	0.40
Dr. Ron Sommer	17.55	0.55
Mrs. Laura M. Cha	9.00	0.30

b) Chief Executive Officer & Managing Director:

Name	Salary (Rs. Lakhs)	Benefits, Perquisites & Allowances (Rs. Lakhs)	Commission (Rs. Lakhs)	ESPS	Stock Options
Mr. S. Ramadorai	73.52	59.77	160.00	Nil	Nil

The above figures do not include provisions for encashable leave and gratuity and premiums paid for Group Health Insurance as separate actuarial valuations / premiums paid are not available for the Managing Director.

- c) Period of contract of CEO & MD: 5 years from August 9, 2004.

The contract may be terminated by either party giving the other party six months' notice or the Company paying six month's salary in lieu thereof.

There is no separate provision for payment of Severance Fees.

- ix) Details of Shares of the Company held by the Directors as on March 31, 2007 are as below:

Name	No. of Shares
Mr. R.N. Tata	7,61,628
Mr. S. Ramadorai	99,560

The Company has not issued any convertible debentures.

V. Shareholders / Investors Grievance Committee

- The Company has constituted a Shareholders / Investors Grievance Committee of Directors to look into the redressal of complaints of investors such as transfer or credit of shares to demat accounts, non-receipt of dividend / notices / annual reports, etc.
- One meeting of the Shareholders / Investors Grievances Committee was held during the year on December 18, 2006.
- The composition of the Shareholders / Investors Grievance Committee and the details of meetings attended by its members are given below:

Name	Category	No. of Meetings during the year 2006-07	
		Held	Attended
Mr. Aman Mehta, Chairman	Independent, Non-executive	1	1
Mr. S. Ramadorai, CEO & Managing Director	Non-Independent, Executive	1	1

- The Company has always valued its customer relationships. This philosophy has been extended to investor relationship and an Investor Relations Department (IRD) was set up in June 2004, prior to the Company's Initial Public Offer of shares. The IRD focusses on servicing the needs of investors, analysts, brokers and the general public.
- Name, designation and address of Compliance Officer:

Mr. S.H. Rajadhyaksha
Company Secretary
Tata Consultancy Services Ltd.
10th Floor, Air India Building,
Nariman Point,
Mumbai 400 021.
Tel: 022 6750 9285
Fax: 022 6630 3672

vi) Details of complaints received and redressed:

Opening Balance	Received during the year	Resolved during the year	Closing Balance
2	591	590	3

VI. Other Committees

i) Ethics and Compliance Committee:

In terms of the Company's Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (Insider Trading Code) to be followed by directors, officers and other employees, the Company has constituted a committee called Ethics and Compliance Committee. The Committee considers matters relating to the Insider Trading Code and also considers matters relating to the Company's Code of Conduct (CoC).

Monthly reports are sent to the Members of the Committee on matters relating to the Insider Trading Code and the CoC. One meeting of the Ethics and Compliance Committee was held during the year 2006-07 on December 18, 2006.

The composition of the Ethics and Compliance Committee and details of the meetings attended by its members are given below:

Name	Category	No. of Meetings during the year 2006-07	
		Held	Attended
Mr. Naresh Chandra, Chairman	Independent, Non-Executive	1	1
Mr. S. Ramadorai CEO & Managing Director	Non-Independent, Executive	1	1

The Board has appointed the Chief Financial Officer, Mr. S. Mahalingam, as the Compliance Officer to ensure compliance and effective implementation of the Insider Trading Code.

ii) Committee of Directors for Bank Accounts:

The Company has constituted a Committee of Directors for Bank Accounts to approve of the opening and closing of bank accounts of the Company and to authorise persons to operate the bank accounts of the Company. The Committee comprises Mr. Aman Mehta, (Independent, Non-Executive) and Mr. S. Ramadorai, (Non-independent, Executive).

iii) Nominations Committee:

A Nominations Committee of the Board has been constituted on January 15, 2007 comprising Mr. R.N. Tata, (Non-independent, Non-Executive), Mr. V. Thyagarajan, (Independent, Non-Executive) and Prof. Clayton M. Christensen, (Independent, Non-Executive).

The Nominations Committee shall be responsible for making recommendations regarding the composition of the Board and in this regard shall identify independent Directors to be inducted to the Board and take steps to refresh the composition of the Board from time to time.

No meeting of the Nominations Committee was held during the year.

iv) Executive Committee:

An Executive Committee of the Board has been constituted on January 15, 2007 comprising Mr. R.N. Tata, (Non-independent, Non-Executive), Mr. S. Ramadorai, (Non-independent, Executive), Prof. Clayton M. Christensen, (Independent, Non-Executive) and Dr. Ron Sommer, (Independent, Non-Executive). The Executive Committee's role covers a detailed review of the following matters before these are presented to the full Board:

- Business and strategy review;
- Long-term financial projections and cash flows;
- Capital and Revenue Budgets and capital expenditure programmes;
- Acquisitions, divestments and business restructuring proposals;
- Senior management succession planning;
- Any other item as may be decided by the Board.

The first meeting of the Executive Committee was held on February 27, 2007 and was attended by Mr. R.N. Tata, Mr. S. Ramadorai and Dr. Ron Sommer.

v) Share Allotment Committee:

During the year, a Share Allotment Committee of the Board was constituted on July 18, 2006 comprising Mr. R.N. Tata, (Non-independent, Non-Executive), Mr. S. Ramadorai, (Non-independent, Executive), Mr. Aman Mehta, (Independent, Non-Executive) and Mr. Naresh Chandra, (Independent, Non-Executive) with authority to allot Bonus Shares as approved by the Members at the Annual General Meeting of the Company held on June 29, 2006. The Committee held a meeting on August 9, 2006 which was attended by Mr. S. Ramadorai and Mr. Aman Mehta and allotted the Bonus Shares. With the allotment of the Bonus Shares, this Committee has ceased to exist.

VII. General Body Meetingsi) General Meetings:(a) Annual General Meeting

Details of Meeting	Date of Meeting	Time of Meeting	Venue of Meeting
Annual General Meeting 2004-05	July 19, 2005	3.30 p.m	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020.
Annual General Meeting 2005-06	June 29, 2006	3.30 p.m	Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020.

(b) Court Convened Meeting of Members

A Court convened meeting of the Members of the Company was held on October 18, 2005 at 11.00 a.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020, in terms of the Order dated August 26, 2005 of the Hon'ble High Court of Judicature at Bombay, for obtaining the requisite approval of the Members for amalgamation of Tata Infotech Limited with the Company.

ii) Postal Ballot:

No Postal Ballot was conducted during the year.

iii) Special Resolutions:

At the Annual General Meeting of the Company held on July 19, 2005, Special Resolutions were passed for (a) amendment to Articles of Association of the Company (b) place of keeping and inspection of the Registers and Annual Returns of the Company and (c) payment of commission to the non-whole-time Directors of the Company. All the resolutions were passed with the requisite majority.

In addition to the above, three special resolutions relating to the issue of shares under the Company's Employee Share Purchase Scheme – 2004 (ESPS) as contained in a Notice to the Members dated August 23, 2004 were passed under a Postal Ballot in the year 2004. The results of the Postal Ballot were announced by the Managing Director of the Company at the Registered Office of the Company on September 28, 2004 and advertised in the newspapers.

At the Annual General Meeting of the Company held on June 29, 2006, a Special Resolution was passed for amendment to the Articles of Association of the Company. The resolution was passed with the requisite majority.

VIII. Disclosures

- i) There are no materially significant related party transactions of the Company which have potential conflict with the interests of the Company at large.
- ii) Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital markets, during the period from August 25, 2004 to March 31, 2007: Nil.
- iii) The Company has fulfilled the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreements with the Stock Exchanges:
 - (a) The Company has set up a Remuneration Committee details of which have been given earlier in this Report.
 - (b) A communication of the half-yearly financial performance of the Company including a summary of the significant events in the six-month period was sent to every Member in October 2006.
 - (c) The statutory financial statements of the Company are unqualified.
 - (d) The Company has adopted a Whistle Blower Policy and has established the necessary mechanism for employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.
- iv) Secretarial Audit

A qualified practising Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued / paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

IX. Means of Communication

The quarterly, half-yearly and annual results of the Company are published in leading newspapers in India which include, The Financial Express, Indian Express, Deccan Chronicle, Lok Satta, Business Standard, Business Line, Hindustan Times and Sandesh. The results are also displayed on the Company's website "www.tcs.com". Half-yearly results have been sent to the Members along with a message from the Managing Director on the Company's performance during the half-year. Press Releases made by the Company from time to time are also displayed on the website. Presentations made to the Institutional investors and analysts after the declaration of the quarterly, half-yearly and annual results are displayed on the Company's website. A Management Discussion and Analysis Statement is a part of the Company's Annual Report.

X. General Shareholder information

i) Annual General Meeting:

Date : June 29, 2007
 Time : 3.30 p.m.
 Venue : Birla Matushri Sabhagar,
 19, Sir Vithaldas Thackersey Marg,
 New Marine Lines, Mumbai 400 020.

ii) Financial Calendar:

Year ending : March 31
 AGM in : June
 Dividend Payment : The Final Dividend, if declared, shall be paid / credited on or after June 30, 2007.

iii) Date of Book Closure : Tuesday, June 19, 2007 to Friday, June 29, 2007

iv) Listing on Stock Exchanges : National Stock Exchange of India Limited, Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai 400 051.

Bombay Stock Exchange Limited, Floor 25, P.J. Towers,
 Dalal Street, Mumbai 400 001.

v) Stock Codes / Symbol:

National Stock Exchange of India Limited : TCS

Bombay Stock Exchange Limited : 532540

Listing Fees as applicable have been paid.

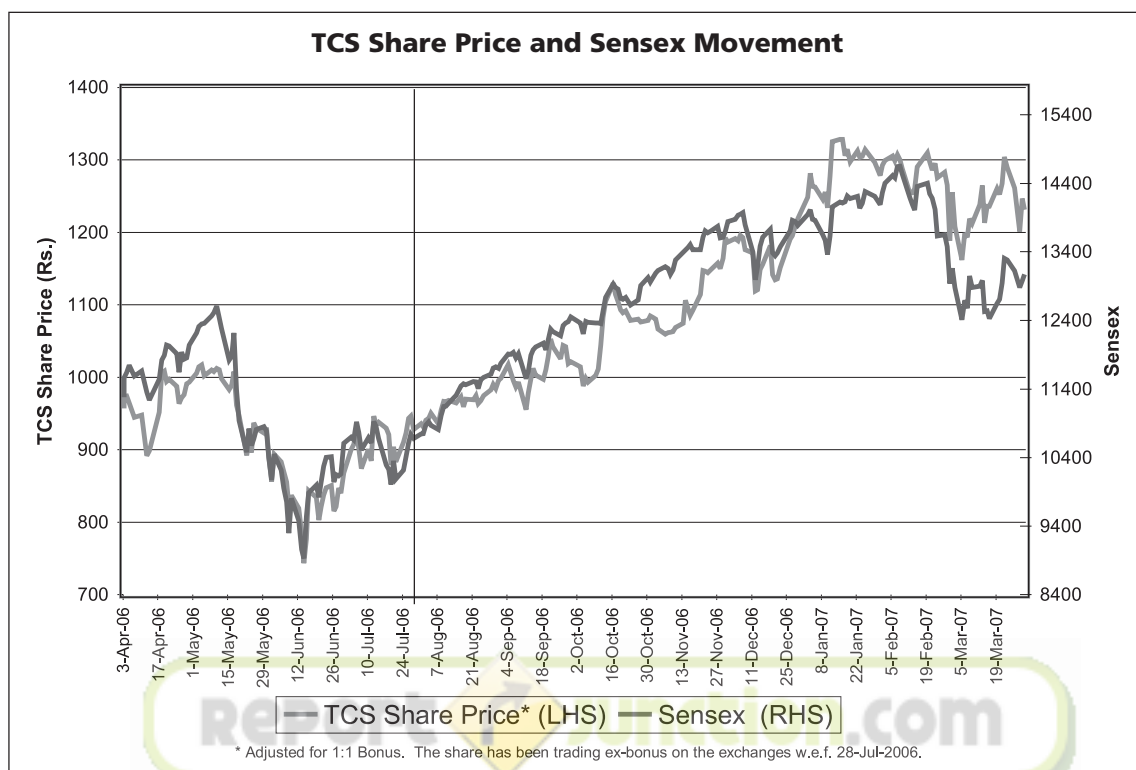
vi) Market Price Data:

High, Low (based on the closing prices) and number of shares traded during each month in the last financial year on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited:

Month	National Stock Exchange of India Limited			Bombay Stock Exchange Limited		
	High (Rs.)	Low (Rs.)	Total No. of Shares Traded	High (Rs.)	Low (Rs.)	Total No. of Shares Traded
APR - 06	2,088.00	1,763.00	1,52,27,694	2,099.00	1,700.00	45,61,854
MAY - 06	2,092.00	1,701.00	1,00,52,651	2,057.00	1,710.00	24,88,807
JUN - 06	1,825.00	1,451.25	1,42,44,785	1,839.00	1,455.00	45,59,612
JUL - 06	1,950.00	1,732.40	1,42,81,255	1,920.00	1,733.05	49,23,854
JUL - 06*	974.95	924.00	11,86,077	950.00	900.00	2,93,709
AUG - 06	1,004.00	863.00	1,35,13,715	1,001.70	901.20	41,03,816
SEP - 06	1,057.90	949.00	1,46,38,411	1,058.00	951.00	39,29,762
OCT - 06	1,169.75	980.55	2,11,31,323	1,175.20	983.00	62,18,785
NOV - 06	1,205.00	1,051.15	1,84,13,648	1,197.00	1,051.50	1,31,92,447
DEC - 06	1,234.45	1,080.35	1,41,27,877	1,225.00	1,090.25	32,19,343
JAN - 07	1,388.95	1,198.90	2,20,69,938	1,399.00	1,200.00	53,08,656
FEB - 07	1,323.80	1,172.00	1,88,62,050	1,350.00	1,170.00	1,17,89,065
MAR - 07	1,335.00	1,150.00	2,31,86,276	1,320.00	1,129.85	57,03,576

*Price from July 2006 is Ex-Bonus

vii) Performance of share price of the Company in comparison to the BSE Sensex



viii) Registrar and Transfer Agents:

Name & Address	:	TSR Darashaw Limited (TSRDL) (formerly Tata Share Registry Limited) 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.
Phone Number	:	91 22 6656 8484
Fax Number	:	91 22 6656 8494
Email	:	csg-unit@tsrdarashaw.com
Website	:	www.tsrdarashaw.com

ix) Places for Acceptance of documents:

Documents will be accepted at	:	TSR Darashaw Limited 6-10, Haji Moosa Patrawala Industrial Estate, 20, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011.
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For the convenience of shareholders based in the following cities, transfer documents and letters will also be accepted at the following branches / agencies of TSRDL:

a) Branches of TSRDL:

- | | |
|---|---|
| <ul style="list-style-type: none">• TSR Darashaw Limited
503, Barton Centre, 5th Floor,
84, Mahatma Gandhi Road,
Bangalore 560 001
Tel: 080 2532 0321
Fax: 080 2558 0019
E-mail: tsrdlbg@tsrdarashaw.com | <ul style="list-style-type: none">• TSR Darashaw Limited
Bungalow No.1, 'E' Road
Northern Town, Bistupur
Jamshedpur 831 001
Tel: 0657 2426616
Fax: 0657 2426937
Email: tsrdljsr@tsrdarashaw.com |
| <ul style="list-style-type: none">• TSR Darashaw Limited
Tata Centre, 1st floor,
43, Jawaharlal Nehru Road,
Kolkata 700 071
Tel: 033 2288 3087
Fax: 033 2288 3062
E-mail: tsrdlcal@tsrdarashaw.com | <ul style="list-style-type: none">• TSR Darashaw Limited
2/42, Sant Vihar,
Ansari Road, Darya Ganj
New Delhi 110 002
Tel: 011 2327 1805
Fax: 011 2327 1802
E-mail: tsrdldel@tsrdarashaw.com |

b) Agent of TSRDL:

Shah Consultancy Services Limited
Sumatinath Complex, 2nd Dhal,
Pritam Nagar, Ellisbridge, Ashram Road,
Ahmedabad 380 006
Telefax: 079 2657 6038
E-mail: shahconsultancy@hotmail.com

x) Share Transfer System:

99.96% of the shares of the Company are in the electronic form. Transfer of these shares is done through the depositories with no involvement of the Company. As regards transfer of shares held in physical form, the transfer documents can be lodged with TSRDL at any of the above mentioned addresses.

Transfer of shares in physical form is normally processed within 10-12 days from the date of receipt if the documents are complete in all respects. The Directors, the Chief Financial Officer and the Company Secretary are severally empowered to approve transfers.

xi) Shareholding (as on March 31, 2007):

a. Distribution of shareholding as on March 31, 2007:

No. of shares	Holding	% to Capital	No. of accounts	% to total accounts
1 - 1000	3,53,46,793	3.61	717,839	99.30
1001 - 5000	78,75,109	0.80	4,010	0.55
5001 - 10000	28,25,924	0.29	395	0.05
10001 - 20000	26,98,642	0.28	191	0.03
20001 - 30000	20,30,049	0.21	84	0.01
30001 - 40000	15,56,122	0.16	45	0.01
40001 - 50000	18,23,578	0.19	40	0.01
50001 - 100000	69,71,273	0.71	98	0.01
100001 - above	91,74,83,008	93.75	203	0.03
GRAND TOTAL	97,86,10,498	100.00	722,905	100.00

b. Categories of shareholders as on March 31, 2007:

Category	No. of shares	Percentage
Promoters Holdings	75,85,56,921	77.51
Other entities of the Promoters Group	4,04,78,392	4.14
Insurance Companies	2,76,27,652	2.82
Indian Public & Others	5,18,39,264	5.30
Mutual Fund & UTI	1,95,49,430	2.00
Corporate Bodies	91,56,774	0.93
Banks, Financial Institutions, State & Central Govt.	5,74,449	0.06
Foreign Institutional Investors	6,90,45,535	7.06
NRIs / OCBs / Foreign Nationals	17,82,081	0.18
GRAND TOTAL	97,86,10,498	100.00

xii) Dematerialisation of shares and liquidity:

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Equity shares of the Company representing 99.96% of the Company's share capital are dematerialised as on March 31, 2007.

The Company's shares are regularly traded on The National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form.

Under the Depository System, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE467B01029.

- xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity:

As on March 31, 2007, the Company did not have any outstanding GDRs / ADRs / Warrants or any convertible instruments.

- xiv) For shareholders of erstwhile Tata Infotech Limited ("TIL"):

Pursuant to Sections 205A and 205C of the Companies Act, 1956, all unclaimed / unpaid dividend, application money, debenture interest and interest on deposits as well as principal amount of debentures and deposits (relating to the erstwhile TIL) as at March 31, 2007 remaining unpaid or unclaimed for a period of 7 years from the date they became due for payment, have been transferred to the Investor Education & Protection Fund (IEPF) established by the Central Government. Shareholders / debentureholders / depositors are hereby informed that the Company is statutorily required to transfer to the IEPF all unclaimed / unpaid dividend, application money, debenture interest and interest on deposits as well as principal amount of debentures and deposits remaining unpaid / unclaimed for a period of seven years from the date they became due for payment and once such amounts are transferred to the IEPF, no claim of the shareholder / debentureholder / depositor shall lie against the Company or the IEPF. For the information of the shareholders of the erstwhile TIL it is hereby notified that the dividend declared on August 13, 2001 by the erstwhile TIL in respect of the financial year 2000-2001 will be due for transfer to the IEPF during 2008-09. Shareholders of the erstwhile TIL who have not yet encashed their dividend warrants are requested to do so immediately.

- xv) Plant Locations:

In view of the nature of the Company's business viz. Information Technology (IT) Services and IT Enabled Services, the Company operates from various offices in India and abroad and does not have any manufacturing plant except that pursuant to the merger of Tata Infotech Limited with the Company, the Company has a manufacturing facility at 17-B, Tivim Industrial Estate, Karaswada, Mapusa - Bardez, Goa.

- xvi) Address for correspondence:

Tata Consultancy Services Limited
11th Floor, Air India Building,
Nariman Point,
Mumbai 400 021.
Tel: 022 6750 9356 / 6750 9999
Fax: 022 6630 3672
Email: investor.relations@tcs.com
Website: www.tcs.com

COMPLIANCE CERTIFICATE

TO THE MEMBERS OF
TATA CONSULTANCY SERVICES LIMITED

We have examined the compliance of conditions of corporate governance by **Tata Consultancy Services Limited**, for the year ended on March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.



For **S. B. BILLIMORIA & CO.**
Chartered Accountants

N. VENKATRAM
Partner

Membership No. : 71387

Mumbai, April 16, 2007

Auditor's Report

TO THE MEMBERS OF TATA CONSULTANCY SERVICES LIMITED

1. We have audited the attached Balance Sheet of **TATA CONSULTANCY SERVICES LIMITED** ("the Company") as at March 31, 2007, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

N. VENKATRAM
Partner

Membership No. : 71387

Mumbai, April 16, 2007

Annexure to the Auditor's Report

(Referred to in paragraph 3 of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) According to the information and explanations given to us, the fixed assets were physically verified during the year by the management in accordance with the programme of verification, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
- (c) There was no disposal of a substantial part of fixed assets.
- (ii) (a) The Company has conducted physical verification of inventory at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not granted loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (a), (b), (c) and (d) of clause 4 (iii) are not applicable to the Company.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub-clauses (e), (f) and (g) of clause 4 (iii) of the Order are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of inventories and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing major weakness in such internal controls.
- (v) (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section; and
- (b) Transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from the public during the year. Therefore, the provisions of clause 4 (vi) of the Order are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of electronic products, pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie*, the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete. To the best of our knowledge and according to the information given to us, the Central Government has not prescribed the maintenance of cost records for any other products of the Company.
- (ix) (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including Provident fund, Employees' state insurance, Income tax, Wealth tax, Sales tax, Customs duty, Excise duty, Service tax, cess and other material statutory dues applicable to it. An amount of Rs. 4.8 lakhs is outstanding for more than six months with respect to the Labour Welfare Fund.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of Income tax, Sales tax, Customs duty, Excise duty and cess were in arrears, as at March 31, 2007 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, details of dues of Sales tax, Value Added Tax and Service tax which have not been deposited on account of any dispute are given below:

Particulars	Period to which the amount relates	Forum where the dispute is pending	Amount (Rs. in crores)
Sales Tax	2001 - 02	Tribunal	0.12
	2001 - 02	Commissioner of Sales Tax (Appeals)	0.28
	2003 - 04, 2004 - 05	Appellate Deputy Commissioner, Hyderabad	2.28
	2001 - 02, 2002 - 03	Commissioner of Sales Tax	0.03
	2003 - 04, 2004 - 05	Joint Commissioner	0.10
	2002 - 03, 2003 - 04	Assistant Commissioner	0.53
Value Added Tax	2005 - 06	Appellate Deputy Commissioner, Hyderabad	0.53
Service Tax	2004 - 2005	Commissioner of Service Tax	3.15

- (x) The Company does not have accumulated losses. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not *prima-facie* prejudicial to the interest of the Company.
- (xv) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were raised.
- (xvi) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xvii) According to the information and explanations given to us, during the period covered by our audit report, the Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xviii) During the year covered by our audit report, the Company has not raised any money by way of public issue.
- (xix) To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit.

Clauses 4(xiii) and 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

N. VENKATRAM
Partner

Membership No. : 71387

Mumbai, April 16, 2007

Balance Sheet as at March 31, 2007

	Schedule	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SOURCES OF FUNDS:			
1	SHAREHOLDERS' FUND		
	(a) Share Capital	A 97.86	48.93
	(b) Reserves and Surplus	B 7961.13	5560.40
2	LOAN FUNDS		
	(a) Secured Loans	C 41.76	26.52
	(b) Unsecured Loans	D 8.98	8.98
		50.74	35.50
3	DEFERRED TAX LIABILITIES (NET)	E 60.61	64.69
4	TOTAL FUNDS EMPLOYED	8170.34	5709.52
APPLICATION OF FUNDS:			
5	FIXED ASSETS		
	(a) Gross Block	F 2315.36	1695.13
	(b) Less:- Accumulated Depreciation	854.75	525.35
	(c) Net Block	1460.61	1169.78
	(d) Capital Work-in-Progress	757.85	280.00
		2218.46	1449.78
6	INVESTMENTS	G 3252.04	1963.52
7	DEFERRED TAX ASSETS (NET)	E 37.61	25.81
8	CURRENT ASSETS, LOANS AND ADVANCES		
	(a) Interest Accrued on Investments	0.51	0.33
	(b) Inventories	H 12.06	22.94
	(c) Unbilled Revenues	523.88	353.91
	(d) Sundry Debtors	I 2799.80	2325.83
	(e) Cash and Bank Balances	J 557.14	171.17
	(f) Loans and Advances	K 1363.74	1116.91
		5257.13	3991.09
9	CURRENT LIABILITIES AND PROVISIONS		
	(a) Current Liabilities	L 1689.85	1180.14
	(b) Provisions	M 905.05	540.54
		2594.90	1720.68
10	NET CURRENT ASSETS [(8) less (9)]	2662.23	2270.41
11	TOTAL ASSETS (NET)	8170.34	5709.52
12	NOTES TO ACCOUNTS	Q	

As per our report attached

For and on behalf of the Board

For **S.B. BILLIMORIA & CO.**
Chartered Accountants**Ratan N. Tata**
Chairman**S. Ramadorai**
CEO and Managing Director**N. Venkatram**
Partner**S. Mahalingam**
Chief Financial Officer**Aman Mehta**
Director**Naresh Chandra**
Director**S.H. Rajadhyaksha**
Company Secretary**Venkatraman Thyagarajan**
Director**Dr. Ron Sommer**
Director

Mumbai, April 16, 2007

Mumbai, April 16, 2007

Profit and Loss Account for the year ended March 31, 2007

Schedule		2007 Rs. in crores	2006 Rs. in crores
INCOME			
1	Information technology and consultancy services	14407.95	10688.86
2	Sale of equipment and software licences	532.02	541.64
3	Other income (net) N	216.55	63.26
		<u>15156.52</u>	<u>11293.76</u>
EXPENDITURE			
4	Employee costs O	6186.85	3999.57
5	Operation and other expenses P	4452.15	3957.97
		<u>10639.00</u>	<u>7957.54</u>
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES			
		4517.52	3336.22
6	Interest	3.43	4.49
7	Depreciation F	343.41	257.38
		<u>4170.68</u>	<u>3074.35</u>
PROFIT BEFORE TAXES			
8	PROVISION FOR TAXES		
	(a) Current tax	(406.84)	(322.41)
	(b) Deferred tax	11.20	(14.82)
	(c) Fringe benefit tax	(17.75)	(20.25)
		<u>3757.29</u>	<u>2716.87</u>
9	Balance brought forward from previous year	2833.30	1005.47
10	Amounts transferred on amalgamation of companies	-	136.16
	AMOUNT AVAILABLE FOR APPROPRIATION	<u>6590.59</u>	<u>3858.50</u>
11	APPROPRIATIONS		
	(a) Interim dividend	733.95	432.10
	(b) Interim dividend - Tata Infotech Limited	-	8.27
	(c) Proposed final dividend	391.44	220.19
	(d) Tax on dividend	169.48	92.64
	(e) General Reserve	375.73	272.00
	(f) Balance carried to Balance Sheet	4919.99	2833.30
		<u>6590.59</u>	<u>3858.50</u>
12	Earnings per share - Basic and Diluted (Rs.) (Refer note 6, page 128)	38.39	27.76
	Weighted average number of shares	97,86,10,498	97,86,10,498
13	NOTES TO ACCOUNTS Q		

As per our report attached

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

N. Venkatram
Partner

S. Mahalingam
Chief Financial Officer

S.H. Rajadhyaksha
Company Secretary

Mumbai, April 16, 2007

For and on behalf of the Board

Ratan N. Tata
Chairman

S. Ramadorai
CEO and Managing Director

Aman Mehta
Director

Venkatraman Thyagarajan
Director

Naresh Chandra
Director

Dr. Ron Sommer
Director

Mumbai, April 16, 2007

Statement of Cash Flows for the year ended March 31, 2007

	2007 Rs. in crores	2006 Rs. in crores
1 CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	4170.68	3074.35
Adjustments for:		
Depreciation	343.41	257.38
Provision for doubtful advances	0.98	3.37
Provision for doubtful debts	0.76	12.14
Interest expense	3.43	4.49
Loss / (Profit) on sale of fixed assets (net)	0.51	(1.56)
Profit from sale of long term investment (Refer note 17, page 137)	(66.28)	-
Unrealised exchange gains	(36.48)	(0.05)
Exchange difference on translation of foreign currency cash and cash equivalents	13.52	2.25
Dividend income	(39.92)	(20.00)
Interest income	(15.87)	(22.16)
Profit on redemption of mutual funds	(7.98)	(1.84)
Operating Profit before working capital changes	4366.76	3308.37
Inventories	10.88	10.28
Unbilled revenues	(169.97)	(204.23)
Sundry debtors	(474.73)	(705.49)
Loans and advances	(262.22)	(30.93)
Current liabilities and provisions	444.63	369.35
Cash generated from operations	3915.35	2747.35
Taxes paid	(364.09)	(402.93)
Net cash provided by operating activities	3551.26	2344.42
2 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1117.80)	(606.50)
Proceeds from sale of fixed assets	5.20	9.40
Purchase of trade investments	(489.86)	(345.58)
Purchase of other investments, (net of mutual funds dividend reinvested) (net)	(498.66)	(192.09)
Proceeds from sale / transfer of trade investments	76.98	3.92
Loans given to subsidiaries (net)	(75.32)	(376.02)
Inter-corporate deposits (net)	8.00	15.00
Dividends received from subsidiaries	3.87	4.50
Dividends received from other investments	3.39	0.45
Interest received	7.78	21.95
Net cash used in investing activities	(2076.42)	(1464.97)
3 CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (net)	15.24	(85.48)
Dividend paid, including dividend tax	(1087.10)	(792.31)
Interest paid	(3.49)	(4.51)
Net cash used in financing activities	(1075.35)	(882.30)
Net increase / (decrease) in cash and cash equivalents	399.49	(2.85)
Cash and cash equivalents at beginning of the year	171.17	120.74
Adjustments as on April 1, 2005 consequent to amalgamation of companies (Refer note 2, page 127)	-	55.53
Exchange difference on translation of foreign currency cash and cash equivalents	(13.52)	(2.25)
Cash and cash equivalents at end of the year	557.14	171.17

Notes:

1. Cash and Cash equivalents as on March 31, 2007 includes equity share application money of Rs. 0.05 crores (March 31, 2006: Rs. 0.10 crores) and restricted cash of Rs. 2.78 crores (March 31, 2006: Rs. 1.93 crores).
2. During the year ended March 31, 2007, the Company subscribed to 10% Redeemable Preference Shares amounting to Rs. 332.18 crores (GBP 38.00 million) in its subsidiary Diligenta Limited, of which Rs. 262.22 crores (GBP 30.00 million) was by conversion of advances and Rs. 8.23 crores (GBP 0.94 million) was accrued interest.
3. Loans to TCS Iberoamerica of Rs. 19.14 crores and interest thereon of Rs. 0.69 crores have been converted into equity during the year ended March 31, 2006.
4. 91,90,440 equity shares of Re. 1 each were allotted as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant to the Scheme of Amalgamation (Refer note 2, page 127).

As per our report attached

For and on behalf of the Board

For **S.B. BILLIMORIA & CO.**
Chartered Accountants**Ratan N. Tata**
Chairman**N. Venkatram**
Partner**S. Ramadorai**
CEO and Managing Director**S. Mahalingam**
Chief Financial Officer**Aman Mehta**
Director**S.H. Rajadhyaksha**
Company Secretary**Venkatraman Thyagarajan**
Director**Naresh Chandra**
Director**Dr. Ron Sommer**
Director

Mumbai, April 16, 2007

Mumbai, April 16, 2007

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised		
120,00,00,000 equity shares of Re. 1 each	120.00	60.00
(March 31, 2006: 60,00,00,000 equity shares of Re. 1 each)		
Issued, Subscribed and Paid up		
97,86,10,498 equity shares of Re. 1 each	97.86	48.93
(March 31, 2006: 48,93,05,249 equity shares of Re. 1 each)		

Notes:

- a) Equity Shares of Rs. 10 each have been sub-divided into ten equity shares of Re. 1 each pursuant to the resolution passed by the shareholders at the Annual General Meeting on May 5, 2004.
- b) The Authorised Share Capital was increased to 120,00,00,000 equity shares of Re. 1 each pursuant to a shareholders' resolution passed at the Annual General Meeting on June 29, 2006.
- c) The Company allotted 9,11,00,009 equity shares as fully paid up bonus shares by capitalisation of profits transferred from General Reserve, pursuant to a shareholders' resolution passed at the Annual General Meeting on May 5, 2004.
- d) The Company allotted 48,93,05,249 equity shares as fully paid up bonus shares on July 31, 2006 by utilisation of Securities Premium Account.
- e) 91,90,440 equity shares of Re. 1 each, had been allotted in 2005-06 as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant to the Scheme of Amalgamation (Refer note 2, page 127).
- f) 75,85,56,921 (March 31, 2006: 38,92,42,225) equity shares are held by Tata Sons Limited, the holding company.

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'B'		
RESERVES AND SURPLUS		
(a) Securities Premium Account		
(i) Opening balance	2066.68	2066.68
(ii) Transferred to Share Capital Account consequent to issue of bonus shares	(48.93)	-
	2017.75	2066.68
(b) General Reserve		
(i) Opening balance	671.48	200.89
(ii) Adjustment for change in accounting policy (Refer note 7, page 128)	(132.09)	-
(iii) Transferred / adjusted on Amalgamation (Refer note 2, page 127)	-	198.59
(iv) Transferred from Profit and Loss account	375.73	272.00
	915.12	671.48
(c) Balance in Profit and Loss Account	4919.99	2833.30
(d) Foreign currency translation reserve	34.56	(6.64)
(e) Profit / (Loss) on cash flow hedges	73.71	(4.42)
	7961.13	5560.40

Note:

The Company allotted 48,93,05,249 equity shares as fully paid up bonus shares on July 31, 2006 by utilisation of Securities Premium Account.

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'C'		
SECURED LOANS		
<u>From Banks</u>		
Overdrafts	41.76	26.52
	41.76	26.52

Note: Bank overdrafts are secured against domestic book debts.

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'D'		
UNSECURED LOANS		
From others	8.98	8.98
(includes Rs. 0.97 crores repayable within one year; March 31, 2006: Rs. 0.96 crores)		
	8.98	8.98

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'E'		
DEFERRED TAX BALANCES		
(a) Deferred Tax Liabilities (Net)		
(i) Foreign branch profit tax	67.00	65.24
(ii) Depreciation	(1.72)	(0.55)
(iii) Others	(4.67)	-
	60.61	64.69
(b) Deferred Tax Assets (Net)		
(i) Depreciation	1.57	0.72
(ii) Employee benefits	23.31	8.02
(iii) Provision for doubtful debts	9.98	11.08
(iv) Others	2.75	5.99
	37.61	25.81

Schedules forming Part of the Balance Sheet

SCHEDULE 'F'
FIXED ASSETS

Description	Gross Block as at April 1, 2006	Additions	Deletions / Adjustments	Gross Block as at March 31, 2007	Accumulated Depreciation as at April 1, 2006	Depreciation	Deletions / Adjustments	Accumulated Depreciation as at March 31, 2007	Net book value as at March 31, 2007	Net book value as at March 31, 2006
(a) TANGIBLE FIXED ASSETS										
FREEHOLD LANDS	209.60	-	-	209.60	-	-	-	-	209.60	209.60
LEASEHOLD LANDS	50.53	0.74	-	51.27	(3.20)	(2.16)	-	(5.36)	45.91	47.33
FREEHOLD BUILDINGS	522.55	101.34	-	623.89	(56.92)	(28.05)	-	(84.97)	538.92	465.63
LEASEHOLD BUILDINGS	9.78	-	-	9.78	(1.94)	(0.99)	-	(2.93)	6.85	7.84
LEASEHOLD IMPROVEMENTS	77.31	50.22	(2.03)	125.50	(26.22)	(28.51)	1.90	(52.83)	72.67	51.09
PLANT AND MACHINERY	7.40	3.73	(0.07)	11.06	(6.30)	(1.06)	0.07	(7.29)	3.77	1.10
COMPUTER EQUIPMENT	409.36	355.41	(3.23)	761.54	(264.01)	(206.81)	2.91	(467.91)	293.63	145.35
MOTOR CARS	52.31	2.58	(9.70)	45.19	(18.86)	(8.88)	5.58	(22.16)	23.03	33.45
OFFICE EQUIPMENT	161.04	61.07	(1.53)	220.58	(45.00)	(22.75)	1.02	(66.73)	153.85	116.04
ELECTRICAL INSTALLATIONS	107.96	37.39	(1.44)	143.91	(31.62)	(15.56)	0.81	(46.37)	97.54	76.34
FURNITURE AND FIXTURES	74.58	27.47	(1.72)	100.33	(59.73)	(27.98)	1.72	(85.99)	14.34	14.85
(b) INTANGIBLE ASSETS										
INTELLECTUAL PROPERTY / DISTRIBUTION RIGHTS	12.71	-	-	12.71	(11.55)	(0.66)	-	(12.21)	0.50	1.16
Total	1695.13	639.95	(19.72)	2315.36	(525.35)	(343.41)	14.01	(854.75)	1460.61	1169.78
Previous year	1041.09	693.07	(39.03)	1695.13	(132.93)	(257.38)	(135.04)	(525.35)	1169.78	908.16
Capital Work- in- Progress (including Capital Advance Rs. 144.25 crores (March 31, 2006: Rs. 67.32 crores))										280.00
Grand Total									2218.46	1449.78

Notes:

- (1) Freehold buildings include Rs. 2.67 crores (March 31, 2006: Rs. 2.67 crores) being value of investment in shares of Co-operative Housing Societies and Limited Companies.
- (2) Legal formalities relating to registration of certain assets are pending completion.

Schedules forming Part of the Balance Sheet

				As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'G'					
INVESTMENTS					
In Numbers	Currency	Face Value Per Share	Description		
(A) TRADE INVESTMENTS (at cost)					
(i) Subsidiary Companies					
(a) Fully Paid Equity Shares (Quoted)					
77,44,961	INR	10	CMC Limited	379.89	379.89
(b) Fully paid Equity Shares (Unquoted)					
88,41,33,400	Peso	1	TCS Iberoamerica S.A.	165.23	132.49
			@ (23,41,33,400 shares subscribed during the year)		
15,75,300	INR	10	APONLINE Limited	-	-
1,300	Euro	325	Tata Consultancy Services, Belgium S.A.	1.06	1.06
66,400	NLG	1000	Tata Consultancy Services, Netherlands B.V. (66,000 shares subscribed during the year)	402.87	15.73
1,000	SEK	100	Tata Consultancy Services, Sverige AB	18.89	18.89
-	Euro	-	Tata Consultancy Services, Deutschland GmbH	1.29	1.29
7,500	FER	100	Tata Consultancy Services, France S.A.	0.66	0.66
20,000	USD	10	Tata America International Corporation	452.92	452.92
75,82,820	SGD	1	Tata Consultancy Services, Asia Pacific Pte Limited	18.69	18.69
10,48,500	INR	10	WTI Advanced Technology Limited	38.52	38.52
10,00,000	AUD	1	* TCS - FNS Pty. Ltd, Australia	3.38	3.38
7,60,001	GBP	1	Diligenta Ltd,UK	199.89	199.89
1,000	USD	0.25	Exegenix Canada Inc.	-	-
1	EUR	100000	Tata Infotech, Deutschland GmbH	0.43	0.43
55,001	SGD	1	Tata Infotech (Singapore) Pte. Ltd	0.15	0.15
51,00,000	INR	10	* C-Edge Technologies Limited (50,74,500 shares subscribed during the year)	5.10	0.03
8,90,000	INR	10	* MP Online Ltd. (8,90,000 shares subscribed during the year)	0.89	-
(c) Fully paid Preference Shares (Unquoted)					
4,20,00,000	GBP	1	Diligenta Ltd,UK (3,80,00,000 shares subscribed during the year)	363.04	30.86
1,99,960	USD	6.25	Exegenix Canada Inc.	6.02	6.02
28,00,000	INR	10	APONLINE Limited (28,00,000 shares subscribed during the year)	2.80	-
(ii) Others					
(a) Fully Paid Equity Shares (Unquoted)					
250	ZAR	1	Conscripti (Pty) Ltd.	8.71	8.71
4,63,865	USD	0.001	Yodlee, Inc.	-	-
-	-	-	Sitel India Limited (8,80,000 shares sold during the year)	-	10.70
(b) Fully Paid Preference Shares (Unquoted)					
-	-	-	eAF Pte Ltd. (59,78,000 shares sold during the year)	-	6.27
35,00,000	INR	10	Rallis India Limited	3.50	3.50
50,00,000	INR	10	7.5% Cumulative redeemable preference shares Tata AutoComp Systems Limited	5.00	5.00
			7% Cumulative redeemable preference shares		

Schedules forming Part of the Balance Sheet

				As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'G' (Contd.)					
No. of Units	Currency	Face Value Per Unit	Description		
(B) OTHERS					
(i) Bonds and Debentures (Quoted)					
15	INR	1000000	10% Housing Urban Development Corpn. Ltd. Bonds (2014)	1.73	1.75
180	INR	100000	8% IDBI Bonds (2013)	1.92	1.93
10	INR	100000	8% IDBI Bonds (2018)	0.11	0.11
5	INR	500000	10% Housing Urban Development Corpn. Ltd. Bonds (2012)	0.27	0.28
79,300	INR	100	6.75% tax free US 64 bonds (2008)	0.79	0.79
15,000	INR	10000	5.10% NABARD (2008)	14.75	-
(15,000 bonds subscribed during the year)					
(ii) Bonds and Debentures (Unquoted)					
2	INR	500000	14.75% NCD in Tata Motors Limited (2008)	0.11	0.12
-	-	-	12.15% Steel Authority of India Limited Bonds (2007)	-	0.62
(12 bonds redeemed during the year)					
(iii) Investment in Mutual Funds (Unquoted)					
(a) Liquid Dividend Plan (including dividend reinvested)					
-	INR	10	Prudential ICICI - Liquid Plan Super Institutional Daily Dividend	-	35.00
-	INR	10	Birla Cash Plus - Institutional premium - Daily Dividend	-	55.01
-	INR	10	Reinvestment	-	10.00
-	INR	1000	Principal Cash Management Fund	-	40.00
-	INR	1000	Tata Liquidity Management Fund-Daily Dividend	-	14.00
-	INR	1000	Reinvestment	-	30.02
7,90,30,732	INR	10	G66 - Standard Chartered Liquidity Manager-Daily	79.04	27.01
-	INR	1000	Dividend Reinvestment	-	86.32
-	INR	1000	G70 - Standard Chartered Liquidity Manager Plus-Daily	-	20.00
-	INR	10	Dividend Reinvestment	-	-
-	INR	10	UTI Money Market Daily Dividend Option	-	25.00
2,50,202	INR	10	DSPML Liquidity Fund Institutional-Daily Dividend Reinvestment	25.03	10.00
-	INR	10	LICMF Liquid Fund- Dividend Plan	-	30.02
3,00,18,607	INR	10	Prudential ICICI Sweep Plan-Cash Option	30.02	-
(b) Fixed Maturity Plan					
-	INR	10	Tata Fixed Horizon Series - 1 Plan A (371 days) - Growth	-	25.00
-	INR	10	Prudential ICICI - 1 Year Plus - Growth Direct	-	25.00
-	INR	10	Birla Fixed Term Plan Series C - Growth	-	10.00
-	INR	10	Principal Deposit Plan - Growth	-	10.00
-	INR	10	Kotak FMP Series I - Growth	-	10.00
1,00,00,000	INR	10	ABN AMRO Fixed Term Plan - Series 2-13 Month Plan-Growth	10.00	10.00
1,00,00,000	INR	10	UTI - Fixed Term Income Fund Series I - Plan 18-Quarterly-4	10.00	10.00
2,50,00,000	INR	10	Birla Fixed Term Plan-Series H (13 months)-Growth	25.00	10.00
1,00,00,000	INR	10	Standard Chartered Fixed Maturity - 2nd Plan-Growth	10.00	10.00
3,00,00,000	INR	10	Tata Fixed Horizon Fund - Series 3 - Scheme C (13 months)-Growth	30.00	30.00
1,00,00,000	INR	10	Tata Fixed Horizon Fund - Series 3 - Scheme D (13 months)-Growth	10.00	10.00
-	INR	10	Tata Fixed Maturity Fund-Series-5-Scheme A-Dividend (375 days)	-	10.00
1,51,35,678	INR	10	Tata Fixed Horizon Fund Series 8 Scheme F	15.14	-
-	INR	10	Chola Fixed Maturity Plan-Series 3 (Quarterly Plan-I)	-	10.00
1,00,00,000	INR	10	Principal PNB Fixed Maturity Plan - 385 days - Series I	10.00	10.00
2,50,00,000	INR	10	JM Fixed Maturity Fund-SeriesII-Yearly plan-YSA-Growth	25.00	25.00
-	INR	10	Kotak Fixed Maturity Plan Series-23-Dividend Payout	-	20.00
-	INR	1000	DSP Merrill Lynch Fixed Term Plan Series1C-Dividend (90 days)	-	15.00
1,00,00,000	INR	10	HSBC Fixed Term Series IV	10.00	10.00
-	INR	10	Deutsche Fixed Term Fund-Series 2-Growth Option	-	5.00
-	INR	10	Prudential ICICI Fixed Maturity Plan - S 25 - Yearly Plan - Dec 05 - Dividend	-	6.25

Schedules forming Part of the Balance Sheet

				As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'G' (Contd.)					
No. of Units	Currency	Face Value Per Unit	Description		
-	INR	10	Tata Fixed Horizon Series 1 - Plan A (371 days)- Growth	-	5.00
3,03,04,731	INR	10	ABN AMRO Fixed Term Plan Series IV Quarterly Plan C	30.31	-
2,01,62,682	INR	10	ABN AMRO Fixed Term Plan-Series 4 Quarterly Plan D	20.16	-
50,00,000	INR	10	ABN AMRO Fixed Term Plan - Series 4-16 Month Plan	5.00	-
1,50,00,000	INR	10	ABN AMRO Fixed Term Plan- Series 5-14 months plan	15.00	-
2,50,00,000	INR	10	DBS Chola Fixed Maturity Plan-Series 6-371 days	25.00	-
1,00,00,000	INR	10	Birla Fixed Term Plan Series P	10.00	-
2,00,00,000	INR	10	Birla Fixed Term Plan - Quarterly Series 7	20.00	-
3,00,00,000	INR	10	Birla Fixed Term Plan Series U	30.00	-
2,00,00,000	INR	10	DWS Fixed Term Fund-Series 23	20.00	-
5,00,00,000	INR	10	DWS Fixed Term Fund-Series 24	50.00	-
1,00,00,000	INR	10	HDFC Fixed Maturity Plan 16M January 2007	10.00	-
1,00,00,000	INR	10	HSBC Fixed Term Series 22	10.00	-
3,04,47,856	INR	10	JM Financial Fixed Maturity Plan Series IV – Q1	30.45	-
1,01,13,989	INR	10	JM Fixed Maturity Fund Series IV-Quarterly Plan 2	10.11	-
5,00,00,000	INR	10	Kotak Fixed Maturity Plan 13 M Series 2	50.00	-
50,00,000	INR	10	Kotak Fixed Maturity Plan 15M Series 2	5.00	-
3,02,92,345	INR	10	Kotak Fixed Maturity Plan 3M Series 10	30.29	-
1,01,23,043	INR	10	Kotak Fixed Maturity Plan 3M Series 9	10.12	-
2,50,00,000	INR	10	Principal Fixed Maturity Plan-385 days-Series 4	25.00	-
3,00,00,000	INR	10	Principal PNB Fixed Maturity Plan 91days-Series VII	30.00	-
2,00,00,000	INR	10	Principal PNB Fixed Maturity Plan - 540 days-Series I	20.00	-
1,00,01,724	INR	10	Prudential ICICI Fixed Maturity Plan Series 34	10.00	-
3,00,00,000	INR	10	Prudential ICICI Fixed Maturity Plan Series 34 - 15 Month plan	30.00	-
8,00,00,000	INR	10	Prudential ICICI Fixed Maturity Plan Series 34 -1 Year plan	80.00	-
3,04,08,000	INR	10	Prudential ICICI Fixed Maturity Plan Series 35 Three Month Plan A	30.41	-
4,00,24,295	INR	10	Reliance Fixed Horizon Fund-II-Quarterly Plan Series II	40.02	-
3,03,36,474	INR	10	Standard Chartered Fixed Maturity Plan Quarterly Series 4	30.34	-
3,04,42,800	INR	10	Standard Chartered Fixed Maturity Plan Quarterly Series 3	30.44	-
1,00,84,700	INR	10	Standard Chartered Fixed Maturity Plan-QS 5	10.08	-
4,00,00,000	INR	10	Standard Chartered Fixed Maturity Plan-Yearly Series 5	40.00	-
2,02,81,853	INR	10	Tata Fixed Horizon Fund-Series 8-Scheme E	20.28	-
2,00,00,000	INR	10	Tata Fixed Horizon Fund Series 6 Scheme C	20.00	-
2,01,28,923	INR	10	Tata Fixed Horizon Fund Series 9 Scheme D	20.13	-
3,03,02,107	INR	10	UTI Fixed Maturity Plan –QFMP (2/07)	30.30	-
2,02,60,046	INR	10	UTI Fixed Maturity Plan-QFMP(1/07)	20.26	-
-	INR	10	(c) Growth Fund - Floater Kotak Floater-Long term-Weekly dividend reinvestment	-	10.00
Less: Provision for diminution in value of investments				3256.54 (4.50)	1974.29 (10.77)
				3252.04	1963.52
Notes: 1) Market value of quoted investments				957.53	416.10
Book value of quoted investments				399.46	384.75
Book value of unquoted investments (net of provisions)				2852.58	1578.77
2) Investments, other than in mutual funds, are long-term.					
* 3) Equity investments in these companies are subject to certain restrictions on transfer, as per the terms of individual contractual agreements (Refer note 5, page 128).					
@ 4) Share certificates in respect of 13,41,33,400 shares are pending issue by the subsidiary company.					

Schedules forming Part of the Balance Sheet

SCHEDULE 'G' (Contd.)

(5) Current investments bought and sold during the year:

Name	No. of Units	Face Value Rs. in crores	Purchase Cost Rs. in crores
C 251 Chola FMP - Series 3 (Quarterly Plan - 2) - Dividend	1,50,00,000.00	15.00	15.02
C 54 Chola Liquid Institutional - Daily Dividend	13,97,67,013.48	139.77	140.20
C 253 Chola FMP - Series 3 Quarterly Dividend	1,50,00,000.00	15.00	15.01
C 255 DBS - Chola FMP - Series 4 Quarterly Dividend	2,00,00,000.00	20.00	20.00
C121 DBS Chola Freedom Income STP Institutional Monthly Dividend	1,83,20,402.74	18.32	20.07
C125 DBS Chola Short Term Floating Rate Fund -Daily Dividend	25,31,48,626.47	253.15	253.56
Deutsche Insta Cash Plus Fund - Institutional Plan - Daily Dividend	12,58,23,725.18	125.82	126.07
Deutsche Money Plus Fund - Dividend Option	16,09,51,159.37	160.95	161.27
Deutsche Insta Cash Plus Fund - Institutional Plan - Monthly Dividend	99,46,468.32	9.95	10.03
Prudential ICICI Liquid Plan - Super Institutional Daily Dividend	84,11,99,916.59	841.20	841.20
Prudential ICICI Sweep Cash Option - Daily Dividend	51,54,60,680.52	515.46	515.46
Prudential ICICI FMP Series 25 - Dividend Reinvestment (111 Days)	20,214.14	0.02	0.10
Prudential ICICI P159RD-Series 32 -One Month Plan-D-Retail Dividend	3,01,55,100.00	30.16	30.16
Kotak Floater Short Term -Weekly Dividend	11,54,48,599.93	115.45	115.61
Kotak Floater - Long Term - Weekly Dividend Reinvestment	1,01,03,228.17	10.10	10.14
Kotak Flexi Debt Scheme - Daily Dividend	8,13,47,909.17	81.35	81.60
Kotak Liquid (Institutional Premium) - Daily Dividend	32,66,54,188.38	391.99	399.44
Kotak Bond (Short Term)-Monthly Dividend	99,59,421.23	9.96	10.03
Birla Cash Plus - Institutional Premium Plan Dividend - Reinvestment	87,41,74,583.88	874.17	875.88
Birla Cash Plus - Institutional Premium - Weekly Dividend - Reinvestment	1,99,62,833.06	19.96	20.03
Birla Institutional Plan - Fortnightly Dividend	6,70,59,315.28	67.06	70.43
Birla FMP - Series 2 - Quarterly	99,85,919.85	9.99	10.00
B47 Birla Sun Life Cash Manager -IP-Daily Dividend - Reinvestment	8,00,37,818.38	80.04	80.05
B83 Birla Sun Life Short Term Fund - Dividend - Reinvestment	96,27,233.52	9.63	10.02
B706D Birla FMP -Series 2 -Quarterly -Dividend -Payout	5,99,78,236.96	59.98	60.03
Reliance Fixed Horizon Fund Quarterly Plan B - Series II - Dividend Option	4,06,22,999.00	40.62	40.62
Reliance Fixed Horizon Fund Quarterly Plan B - Series IV - Dividend Option	4,06,22,999.00	40.62	40.62
Reliance Liquid Fund -Daily Dividend -Cash Fund	11,59,81,613.67	115.98	129.22
Reliance Fixed Horizon Fund -Monthly Plan -Series IV-Dividend Option	4,00,00,000.00	40.00	40.00
Reliance Liquid Fund -Daily Dividend	25,97,30,059.42	259.73	259.81
Reliance Floating Rate Fund Daily Dividend Reinvestment Plan	5,57,38,311.72	55.74	56.11
ABN AMRO Floating Rate Fund -Daily Dividend M 37	2,50,07,585.43	25.01	25.01
ABN AMRO Floating Rate Fund -Weekly Dividend M 17	5,87,28,206.25	58.73	58.76
ABN AMRO Fixed Term Plan Series 2 Plan -2	2,02,73,184.66	20.27	20.27
ABN AMRO Fixed Term Plan Series 2 Quarterly Plan -D -Dividend- M124QD	1,50,00,000.00	15.00	15.00
ABN AMRO Cash Plus Fund-Institutional Fund-M 47	5,80,56,835.54	58.06	58.06
LIC Liquid Fund - Daily Dividend Reinvestment	76,74,22,574.16	767.42	842.61
UTI - Cash Plan Institutional - Daily Dividend	94,93,896.07	949.39	967.84
UTI - Money Market Fund - Daily Dividend Option	8,01,46,189.82	136.25	139.91
HSBC Cash Fund -Institutional Plus - Daily Dividend	19,80,47,702.81	198.05	198.21
OLPPID-HSBC Liquid Institutional Plan -Daily Dividend	12,05,00,413.80	120.50	120.52
Standard Chartered Liquidity Manager - Daily Dividend (G 66)	20,88,36,875.66	208.84	208.86

Schedules forming Part of the Balance Sheet

SCHEDULE 'G' (Contd.)

Name	No. of Units	Face Value Rs. in crores	Purchase Cost Rs. in crores
Standard Chartered Liquidity Manager Plus - Daily Dividend (G 70)	91,56,035.40	915.60	915.69
Standard Chartered Liquidity Manager Plus - Daily Dividend (G 70) (2)	2,39,99,372.25	2399.94	2400.18
Standard Chartered -GMFP-Medium Term -Fortnightly Dividend Option	5,01,76,759.11	50.18	50.28
Standard Chartered Liquidity Manager -G 66 (2)	15,51,26,620.77	155.13	155.14
TATA Fixed Maturity Fund - Series 5 - Scheme A - Dividend (375 Days)	1,74,793.38	0.17	0.18
TATA Liquidity Management Fund - Daily Dividend Reinvestment	28,34,339.24	283.43	284.07
TLMD TATA Liquidity Management Fund-Daily Dividend	7,29,778.04	72.98	73.14
TATA Liquid Super High Investment Fund -Daily Dividend (1)	15,99,285.73	159.93	178.24
TATA Liquid Super High Investment Fund -Daily Dividend (2)	17,18,492.77	171.85	191.53
TATA Floating Rate Short Term Institutional Plan-Daily Dividend	2,00,32,802.13	20.03	20.04
TATA Fixed Horizon Fund Series 8 -Scheme B -Dividend Institutional Plan	3,01,48,465.85	30.15	30.16
Magnum Institutional Income - Savings Dividend	3,98,85,763.26	39.89	40.02
Magnum Insta Cash Fund Liquid Floater Plan -Dividend	37,72,31,265.37	377.23	400.76
L030DD Magnum Insta Cash Fund Liquid Floater Plan -Dividend	4,20,10,247.23	42.01	70.37
SBI Debt Fund Series - 90 Days - Dividend Option	2,00,05,442.68	20.01	20.01
Principal Cash Management Fund - LO - Institutional Premium Plan - Daily Dividend	17,03,15,457.95	170.32	170.33
Templeton India Super Institutional Plan - Daily Dividend	38,65,907.44	386.59	386.69
Templeton India Super Institutional Plan - Weekly Dividend	1,99,587.00	19.96	20.07
DSP Merrill Lynch - Institutional Plan - Daily Dividend	6,34,483.81	63.45	63.46
DSP Merrill Lynch - FTP Series - 1C Dividend	2,768.09	0.28	0.28
HDFC Cash Management -Saving Plan -Daily Dividend	14,70,62,367.00	147.06	155.21
HDFC Cash Management -Call Plus Plan -Daily Dividend	7,69,06,978.00	76.91	80.19
HDFC Liquid Fund -Premium Plus Plan -Dividend -Option Reinvestment	19,33,94,002.00	193.39	240.35
LIC MF FMP Series 7 - 3 Month Dividend Plan	1,52,26,029.00	15.23	15.23
JM Fixed Maturity Fund - Series 3 - Quarterly Plan - Dividend Option	4,05,88,344.00	40.59	40.59
UTI - Fixed Maturity Plan -0806-Series -2-Quarterly Dividend Reinvestment Plan	2,02,91,898.00	20.29	20.30
ABN AMRO FMP-Series -3 -Quarterly Dividend M132QD	2,05,71,492.00	20.57	20.57
JM Fixed Maturity Fund - Series 3 - Monthly Plan -M1-Dividend (165)	3,01,59,752.00	30.16	30.16
JM -Highly Liquid Fund -Daily Dividend - (92)	5,99,77,556.00	59.98	60.08
JM -Highly Liquid Fund -Daily Dividend - (150)	1,00,01,709.88	10.00	10.00
JM -Highly Liquid Fund -Daily Dividend - (171)	7,56,74,089.82	75.67	75.67
TATA Fixed Horizon Series 5 -Scheme - E - Dividend	2,00,90,182.87	20.09	20.11
TATA Fixed Horizon Series 6-Scheme G-Dividend	1,03,01,118.66	10.30	10.30
Kotak FMP 3M Series -3 Dividend	1,01,46,869.50	10.15	10.15
Principal Floating Rate Fund FMP	2,00,25,301.29	20.03	20.04
Principal Income Fund	5,04,95,781.00	50.50	55.21
LIC MF Floating Rate Plan -Short Term Plan -Dividend Option	25,00,83,978.00	250.08	253.87
UTI FMP Quarterly Series /0906/2-Dividend Plan -Reinvestment	3,04,56,386.00	30.46	30.47
M133QD ABN AMRO FTP Series 3 Quaterly Plan C Dividend	1,01,47,272.00	10.15	10.15
M134 QD ABN AMRO FTP Series 3 Quaterly Plan D Dividend	2,53,81,278.00	25.38	25.38
Standard Chartered -GSSIF -ST -Plan C G-60	6,01,23,490.00	60.12	60.23
G74 GSSIF-ST-Plan-C-Fortnightly Dividend	6,01,87,177.00	60.19	60.30

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'H'		
INVENTORIES		
(a) Stores and spares	1.48	2.01
(b) Raw materials, sub-assemblies and components	8.62	8.79
(c) Goods-in-transit	0.60	8.00
(d) Finished goods	1.06	2.87
(e) Work-in-progress	0.30	1.27
	<u>12.06</u>	<u>22.94</u>

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'I'		
SUNDRY DEBTORS		
(a) Over six months (unsecured)		
(i) Considered good	285.21	145.30
(ii) Considered doubtful	59.19	58.37
(b) Others (unsecured)		
(i) Considered good	2514.59	2180.53
(ii) Considered doubtful	0.20	0.26
	<u>2859.19</u>	<u>2384.46</u>
Less: Provision for doubtful debts	<u>(59.39)</u>	<u>(58.63)</u>
	<u>2799.80</u>	<u>2325.83</u>
Due from companies under same management:		
Tata Teleservices Limited	27.52	67.79
Tata Elxsi Limited	0.08	1.00
Tata AIG Life Insurance Company Ltd	1.75	-
Tata SKY Ltd	28.08	14.61
Tata Internet Services Pvt.Limited	0.05	0.05
Tata AIG General Insurance Co Ltd	0.32	1.67
Tata Teleservices (Maharashtra) Limited	1.06	0.49

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'J'		
CASH AND BANK BALANCES		
(a) Cash on hand	7.79	4.68
(b) Remittances in transit	14.46	6.46
(c) Bank Balances		
(i) with Scheduled Banks		
(1) In current accounts (including cheques on hand of Rs. 41.15 crores and Equity share application monies of Rs. 0.05 crores, March 31, 2006: Rs. 3.64 crores and Rs. 0.10 crores respectively)	91.33	32.91
(2) In deposit accounts (including Rs. 0.08 crores under lien to Customs Authority, March 31, 2006: Rs. 0.08 crores)	182.85	0.56
(ii) with Foreign Banks		
(1) In current accounts		
ABN AMRO Bank Berhad, Malaysia	0.23	0.04
Bank of America N.A, Australia	7.34	0.85
Credit Suisse, Switzerland	0.39	0.83
Nordea Bank, Denmark	1.53	4.42
HSBC Bank plc, UK	40.27	34.02
K & H Bank, Hungary	0.81	2.05
Bank of America N.A, Canada	2.16	0.24
ABN AMRO Bank, Taiwan	0.04	0.04
Standard Chartered Bank, Singapore	0.40	0.44
Merita Bank, Finland	0.67	0.24
HSBC Bank plc, Ireland	2.98	0.63
Nedbank, South Africa	95.95	63.00
La Caixa Bank, Spain	0.02	0.94
ASB Bank, New Zealand	0.16	0.14
Bank of America N.A, USA	2.04	7.47
Nordea Bank, Finland	1.54	1.83
Bank of America, Taiwan	0.26	0.12
Bank Sinopac, Taiwan	0.03	-
Standard Chartered Bank, Bahrain	2.44	0.28
Standard Chartered Bank, South Africa	18.63	5.38
Bank of America, Hongkong	0.84	0.11
Citibank NV, Israel	0.61	0.25
Standard Chartered Bank, Dubai	0.58	0.98
Bank of America, Amsterdam	-	0.09
Bank of America, London	0.77	0.05
Standard Chartered Bank, Botswana	1.18	1.75
National City Bank, Ohio	3.02	0.08
Bank of America, Sydney	-	0.03
Bank of America, Singapore	-	0.26
Commercial Bank of Ethiopia	0.03	-
Saudi British Bank, Saudi Arabia	16.16	-
(2) In deposit accounts		
HSBC Bank plc, UK	59.63	-
	557.14	171.17

Schedules forming Part of the Balance Sheet

	2007 Rs. in crores	2006 Rs. in crores
SCHEDULE 'J' (Contd.)		
(d) Maximum balance outstanding - Foreign Banks		
(1) In current accounts		
ABN AMRO Bank Berhad, Malaysia	0.45	0.28
Bank of America N.A, Australia	17.30	15.04
Credit Suisse, Switzerland	0.96	1.00
Nordea Bank, Denmark	15.87	7.49
HSBC Bank plc, UK	140.41	110.75
K & H Bank, Hungary	6.79	12.76
Bank of America N.A, Canada	12.54	16.98
ABN AMRO Bank, Taiwan	0.04	0.77
Standard Chartered Bank, Singapore	5.77	4.08
Merita Bank, Finland	15.01	3.56
HSBC Bank plc, Ireland	17.52	11.70
Nedbank, South Africa	95.96	70.19
La Caixa Bank, Spain	1.02	0.98
ASB Bank, New Zealand	1.06	6.32
Bank of America N.A, USA	200.49	199.24
Nordea Bank, Finland	8.07	6.05
Bank of America, Taiwan	18.00	2.38
Bank Sinopac, Taiwan	0.16	2.32
Standard Chartered Bank, Baharin	7.20	0.89
Standard Chartered Bank, South Africa	54.12	7.83
Bank of America, Hongkong	6.11	0.75
Citibank NV, Israel	0.95	0.25
Standard Chartered Bank, Dubai	2.80	1.36
Bank of America, Amsterdam	-	0.57
Bank of America, London	3.07	3.78
Bank of America, USA	-	17.33
Standard Chartered Bank, Botswana	5.95	2.10
National City Bank, Ohio	3.61	0.10
Bank of America, Sydney	-	2.64
Bank of America, Singapore	1.28	1.68
Commercial Bank of Ethiopia	0.13	-
Saudi British Bank, Saudi Arabia	16.16	-
(2) In deposit accounts		
HSBC Bank plc, UK	59.63	-

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'K'		
LOANS AND ADVANCES (Unsecured)		
(a) Considered good		
(i) Loans and Advances to employees	250.35	227.33
(ii) Loans to Director / Officer (Maximum balance during the year Rs. 0.08 crores, Previous year: Rs. 0.12 crores)	-	0.08
(iii) Loans and Advances to subsidiary companies	263.29	379.97
(iv) Advances recoverable in cash or kind or for value to be received	759.62	409.39
(v) Advance tax (including refunds receivable)	90.48	100.14
	<u>1363.74</u>	<u>1116.91</u>
(b) Considered doubtful		
(i) Loans and Advances to employees	6.83	4.63
(ii) Advances recoverable in cash or kind or for value to be received	2.88	4.10
	<u>9.71</u>	<u>8.73</u>
Less: Provision for doubtful advances	(9.71)	(8.73)
	<u>1363.74</u>	<u>1116.91</u>
Notes:		
1) Loans and Advances to subsidiary companies:		
Tata Consultancy Services Sverige AB	7.83	20.08
TCS FNS Pty. Limited	173.98	117.29
Diligenta Limited	0.32	232.90
CMC Limited	38.02	9.46
C-Edge Technologies Limited	-	0.24
Tata Consultancy Services Asia Pacific Pte. Ltd.	40.21	-
MP Online Limited	0.18	-
Tata Consultancy Services, Netherland B.V	2.75	-
2) Advances recoverable in cash or kind or for value to be received include fair values of foreign exchange forward and currency option contracts.	67.62	15.42
3) Advance recoverable in cash or kind or for value to be received include balances with Customs and Excise Authorities.	0.37	0.44
4) Advance recoverable in cash or kind or for value to be received include Intercompany deposits.	-	8.00

Schedules forming Part of the Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'L'		
CURRENT LIABILITIES		
(a) Sundry creditors	868.48	737.09
(b) Subsidiary companies	165.64	74.75
(c) Advances from customers	76.67	61.61
(d) Advance billings and deferred revenues	407.98	197.74
(e) Equity Share Application Monies refundable	0.05	0.10
(f) Investor Education and Protection Fund - Unpaid Dividends (not due)	2.68	1.81
(g) Other liabilities	167.95	106.58
(h) Interest accrued but not due	0.40	0.46
	1689.85	1180.14

Note:

The identification of Micro, Small and Medium Enterprise Suppliers is based on Management's knowledge of their status. There are no dues to Micro, Small and Medium Enterprise Suppliers as on March 31, 2007 (March 31, 2006: Rs. Nil dues to Small Scale Undertakings).

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	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'M'		
PROVISIONS		
(a) Current income taxes	156.20	107.73
(b) Fringe benefit tax	1.06	1.06
(c) Contingencies (Refer note 10, page 130)	-	44.29
(d) Employee benefits	289.71	136.08
(e) Proposed dividend	391.44	220.19
(f) Tax on dividend	66.53	30.88
(g) Provision for warranties	0.11	0.31
	905.05	540.54

Schedules forming Part of the Profit and Loss Account

	2007 Rs. in crores	2006 Rs. in crores
SCHEDULE 'N'		
OTHER INCOME		
(a) Interest (includes Rs. 7.62 crores from a foreign subsidiary, Previous year: Nil) (Tax deducted at source Rs. 0.17 crores, Previous year: Rs. 0.56 crores)	15.87	22.16
(b) Dividend from subsidiaries (trade investments)	3.87	4.50
(c) Dividends from other long-term investments (non-trade investments)	0.61	0.45
(d) Dividends from mutual funds (other investments)	35.44	15.05
(e) Profit on redemption of mutual fund investments	7.98	1.84
(f) Rent	2.55	3.27
(g) Profit on sale of fixed assets (net)	-	1.56
(h) Profit on sale of long-term investment (Refer note 17, page 137)	66.28	-
(i) Exchange gains (net)	55.91	-
(j) Miscellaneous income	28.04	14.43
	<u>216.55</u>	<u>63.26</u>

	2007 Rs. in crores	2006 Rs. in crores
SCHEDULE 'O'		
EMPLOYEE COSTS		
(a) Salaries and Incentives	5543.89	3576.85
(b) Contributions to -		
(i) Provident Fund	94.81	102.77
(ii) Superannuation Scheme	27.02	21.27
(iii) Gratuity	14.97	29.17
(iv) Social security and other benefit plans (overseas employees)	197.10	117.49
(c) Staff welfare expenses	309.06	152.02
	<u>6186.85</u>	<u>3999.57</u>

Schedules forming Part of the Profit and Loss Account

	2007 Rs. in crores	2006 Rs. in crores
SCHEDULE 'P'		
OPERATION AND OTHER EXPENSES		
(a) Overseas business expenses	1488.78	1516.19
(b) Services rendered by business associates and others	756.12	635.29
(c) Software, hardware and material costs	645.85	540.15
(d) Cost of software licences	229.35	195.45
(e) Communication expenses	196.35	163.14
(f) Travelling and conveyance expenses	210.17	145.24
(g) Rent	228.83	133.18
(h) Legal and professional fees	90.33	80.31
(i) Repairs and maintenance	92.19	71.13
(j) Electricity expenses	93.89	66.85
(k) Bad debts	6.32	5.65
(l) Provision for doubtful debts	0.76	12.14
(m) Provision for doubtful advances	0.98	3.37
(n) Advances written-off	2.50	0.10
(o) Recruitment and training expenses	107.44	62.67
(p) Commission and brokerage	31.05	33.48
(q) Printing and stationery	27.74	21.13
(r) Insurance	17.75	20.83
(s) Rates and taxes	26.39	14.39
(t) Entertainment	8.86	6.97
(u) Loss on sale of fixed assets (net)	0.51	-
(v) Exchange loss (net)	-	69.14
(w) Other expenses	189.99	161.17
	4452.15	3957.97
Notes:		
1) Overseas business expenses include:		
Travel expenses	224.70	211.03
Employee Allowances	873.09	1113.36
2) Repairs and maintenance includes:		
Buildings	32.48	28.46
Office and computer equipment	59.71	42.67
3) Software, hardware and material costs include:		
Material Costs		
(a) Raw Materials, sub-assemblies and component consumed	21.50	33.83
(b) Transferred on Amalgamation (Refer note 3, page 128)	-	3.07
(c) Purchases of Finished Goods for resale	-	123.43
(d) Opening Stock:		
Finished Goods	2.87	-
Work in Progress	1.27	-
(e) Less: Closing Stock:		
Finished Goods	1.06	2.87
Work in Progress	0.30	1.27
	2.78	(4.14)
	24.28	156.19
4) Other expenses include:		
Stores and spare parts consumed	0.52	1.17

SCHEDULE 'Q' - NOTES TO ACCOUNTS

1) Significant Accounting Policies

a) Basis of Preparation

The financial statements are prepared under the historical cost convention and the requirements of the Companies Act, 1956.

b) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes, accounting for contract costs expected to be incurred to complete software development and the useful lives of fixed assets.

c) Fixed Assets

Fixed Assets are stated at cost, less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are included in the cost of such assets.

Fixed assets exclude computers and other assets individually costing Rs. 50,000 or less which are not capitalised except when they are part of a larger capital investment programme.

d) Depreciation

Depreciation other than on freehold land and capital work-in-progress is charged so as to write-off the cost of assets, on the following basis:

Leasehold Land and Buildings	Straight line	Lease period
Freehold Buildings	Written down value	5%
Leasehold Improvements	Straight line	Lease period
Plant and Machinery	Straight line	33.33%
Computer Equipment	Straight line	50%
Motor Cars	Written down value	25.89%
Office Equipment	Written down value	13.91%
Electrical Installations	Written down value	13.91%
Furniture and Fixtures	Straight line	100%
Intellectual Property / Distribution Rights	Straight line	24 – 36 months

e) Leases

Lease arrangements where the risks and rewards incident to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rents under operating leases are recognised in the Profit and Loss account on a straight-line basis.

f) Impairment

At each balance sheet date, the Management reviews the carrying amounts of assets and goodwill included in each cash generating unit to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset and goodwill is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

g) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

h) Employee benefits (Refer Note 7, page 128)i) Post-employment benefit plans

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

i) Revenue recognition

Revenues from contracts priced on a time and materials basis are recognised when services are rendered and related costs are incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from the sale of equipment are recognised upon delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues from Business Process Outsourcing (BPO) services are recognised on time and material, fixed price and unit priced contracts. Revenue on time and material, unit priced contracts is recognised as the related services are rendered. Revenue from fixed price contracts is recognised as per the proportionate completion method with contract cost determining the degree of completion.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis.

j) Research and Development

Research and Development expenditure is recognised in the profit and loss account when incurred. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the depreciation rates set out in paragraph 1(d).

k) Taxation

Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to foreign operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only to the extent that there is virtual certainty that sufficient taxable income will be available to realise such assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these assets.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance taxes paid and income tax provisions arising in the same tax jurisdiction.

The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

l) Foreign currency transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

Premium or discount on forward exchange contracts are amortized and recognised in the profit and loss account over the period of the contract. Forward exchange contracts outstanding at the balance sheet date are stated at fair values and any gains or losses are recognised in the profit and loss account.

Exchange differences, other than on foreign currency loans to acquire fixed assets from countries outside India are recognised in the profit and loss account.

m) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these as cash flow hedges.

The use of foreign currency forward contracts is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value, and are remeasured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to profit and loss account for the year.

n) Employee Stock Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

o) Inventories

Raw materials, sub-assemblies and components are carried at lower of cost and net realisable value. Cost is determined on a weighted average basis. Purchased goods in transit are carried at cost. Work-in-progress is carried at lower of cost or net realisable value. Stores and spare parts are carried at cost, less provision for obsolescence. Finished goods produced or purchased by the Company are carried at lower of cost and net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads.

2) **Amalgamation of Companies**

- a) Airline Financial Support Services (India) Limited, Aviation Software Development Consultancy India Limited and TCS Business Transformation Solutions Limited – wholly owned subsidiaries of Tata Consultancy Services Limited have been amalgamated with the Company with effect from April 1, 2005 in terms of the Scheme of Amalgamation ("Scheme") sanctioned by the High Court of Judicature at Bombay, High Court of Judicature at Madras and the High Court of Karnataka, Bangalore, vide their orders dated December 9, 2005, January 25, 2006 and January 13, 2006 respectively. Accordingly the above-mentioned subsidiaries stand dissolved without winding up and all assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations, have been transferred to and vested in the Company retrospectively with effect from April 1, 2005.

As all the subsidiaries amalgamated as aforesaid were wholly owned by the Company, no shares were exchanged to effect the amalgamation.

- b) In accordance with the Scheme of Amalgamation ("Scheme") of the erstwhile Tata Infotech Limited ("TIL") with the Company as sanctioned by the Honorable High Court of Judicature at Bombay vide its Order dated January 27, 2006, the undertaking of TIL being all its assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations,

has been transferred to and vested in the Company retrospectively with effect from April 1, 2005 (the appointed date). The Scheme came into effect on February 1, 2006.

Pursuant to the Scheme coming into effect, every shareholder of TIL holding fully paid up equity shares was allotted one Equity Share of Re. 1 each in the Company, credited as fully paid up for every two Equity Shares of Rs. 10 each fully paid up held in the capital of TIL.

- 3) Consequent to the amalgamation of the erstwhile Tata Infotech Limited, effective April 1, 2005 its wholly owned subsidiaries Exegenix Canada Inc., Tata Infotech Deutschland GmbH, Tata Infotech (Singapore) Pte Limited and its Joint venture with Sitel India Limited became wholly owned subsidiaries and a Joint Venture of the Company.

4) **Acquisitions**

- a) On September 8, 2006, the Company subscribed to 89% share capital of MP Online Limited, a Company formed in partnership with the Government of Madhya Pradesh, offering a wide range of computer enabled services in the State of Madhya Pradesh.
- b) On October 5, 2006, the Company, through its wholly owned subsidiaries Tata Consultancy Services Asia Pacific Pte Ltd. and Tata Consultancy Services Malaysia Sdn Bhd, subscribed to 100% share capital of PT Tata Consultancy Services, Indonesia, a Company formed to provide consulting and IT related services in Indonesia.
- c) On October 31, 2006, the Company, through its wholly owned subsidiary Tata Consultancy Services Netherlands B.V., acquired 75% equity interest in Switzerland based TKS - Teknosoft S.A., for a consideration of Rs. 368.06 crores (CHF 102.30 million). On March 21, 2007, the equity interest of the Company increased to 100% as a consequence of a buyback of the shares of the minority shareholders for an additional consideration of Rs. 121.18 crores (CHF 34 million).
- d) On November 8, 2006, the Company, through its wholly owned subsidiary TCS FNS Pty Limited, acquired 100% equity interest in an Australia based company TCS Management Pty Ltd., for a total consideration of Rs. 15.75 crores (A\$ 4.56 million).
- e) On November 16, 2006, the Company through its wholly owned subsidiary Tata Consultancy Services Asia Pacific Pte Ltd. subscribed to 72.22% share capital of Tata Consultancy Services (China) Co., Ltd., a Company formed in partnership with Chinese companies to provide IT outsourcing services and solutions.
- f) On December 28, 2006, the Company, through its wholly owned subsidiaries Tata Consultancy Services BPO Chile S.A. and TCS Inversiones Chile Limitada, subscribed to 100 % share capital of Tatasolution Center S.A., a Company formed to provide BPO services in Ecuador.
- g) On December 29, 2006, the Company, through its wholly owned subsidiary TCS FNS Pty Limited, subscribed to 100% share capital of Financial Network Services Beijing Co. Ltd., a Company formed to provide consulting and IT related services in China.
- 5) The Company has given undertakings to (a) Bank of China Co. Limited, not to transfer its controlling interest in Financial Network Services Pty Limited, (b) The Government of Madhya Pradesh not to divest its shareholding in MP Online Limited except to an affiliate, (c) State Bank of India not to sell, transfer or otherwise dispose off its share or any interest in C-Edge Technologies Limited.
- 6) The shareholders approved the issue of Bonus Shares in the proportion of one new equity share for every existing equity share, at the Annual General Meeting held on June 29, 2006. Accordingly, a sum of Rs. 48.93 crores has been transferred to Share Capital Account on allotment of fully paid bonus shares to the holders of the equity shares on the record date of July 31, 2006 by utilisation of Securities Premium Account. Consequently, the earnings per share has been adjusted for the previous year.
- 7) Consequent to the Accounting Standard 15 "Employee Benefits" (AS – 15) issued by the Institute of Chartered Accountants of India, becoming effective from April 1, 2006, the Company has reviewed and revised its accounting policy in respect of employee benefits. Consequent upon the change, profit before tax for the year ended March 31, 2007 is lower by Rs. 53.46 crores. In accordance with the transitional provisions contained in the Accounting Standard, the difference of Rs. 132.09 crores (net of tax) between the liability in respect of short-term employee benefits existing on the date of adoption and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the general reserve.

8) **Retirement benefit plans**

a) Defined contribution plans

The Company makes contributions towards provident fund and superannuation fund to a defined contribution retirement benefit plan for qualifying employees. The provident fund plan is operated by the Regional Provident Fund Commissioner and the superannuation fund is administered by the Trustees of the Tata Consultancy Services Employees' Superannuation Fund. Under the schemes, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The Company recognised Rs. 94.81 crores (*Previous year: Rs. 102.77 crores*) for provident fund contributions and Rs. 27.02 crores (*Previous year: Rs. 21.27 crores*) for superannuation contributions in the profit and loss account. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

b) **Defined benefit plan**

The Company makes annual contributions to the Employees' Group Gratuity-cum-Life Assurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for qualifying employees. The scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months. Vesting occurs upon completion of five years of service.

The present value of the defined benefit obligation and the related current service cost were measured using the Projected Unit Credit Method with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognised in the Company's financial statements as at March 31, 2007.

As at March 31, 2007	
(Rs. in crores)	
i) Change in benefit obligations:	
Projected benefit obligation, beginning of the year (April 1, 2006)	224.16
Service cost	53.23
Interest cost	17.99
Actuarial gain	(35.61)
Benefits paid	(18.86)
Projected benefit obligation, end of the year	240.91
ii) Change in plan assets:	
Fair value of plan assets, beginning of the year (April 1, 2006)	222.74
Expected return on plan assets	18.33
Employer's contributions	18.61
Benefit paid	(18.86)
Actuarial gain	2.31
Fair value of plan assets at the end of the year	243.13
Excess of plan assets over obligation	2.22
Prepaid benefit	2.22
iii) Net gratuity cost for the year ended March 31, 2007:	
Service cost	53.23
Interest on Defined Benefit Obligation	17.99
Expected return on plan assets	(18.33)
Net actuarial gain recognised in the year	(37.92)
Net gratuity cost	14.97
Actual Return on Plan Assets	20.64
iv) Category of Assets as at March 31, 2007:	
Special Deposits Scheme	1.73
Insurer Managed Funds	241.40
Total	243.13
v) Assumptions used in accounting for the gratuity plan:	
	%
Discount rate	8.00
Salary escalation rate	6.00
Expected rate of return on plan assets	8.00

The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.

- 9) Unbilled revenue as at March 31, 2007 amounting to Rs. 523.88 crores (*March 31, 2006: Rs. 353.91 crores*) primarily comprises of the revenue recognised in relation to efforts incurred on turnkey contracts priced on a fixed time, fixed price basis.
- 10) **Provision for contingencies**

	Provident Fund
	(Rs. in crores)
Balance as at April 1, 2006	44.29
Provision made during the year	2.54
Provision written back during the year	(46.83)
Balance as at March 31, 2007	-

On November 24, 1998 the Regional Provident Fund Commissioner of Mumbai (RPFC) issued an order stating that the erstwhile TCS Division was rendering "expert services" in accordance with a notification issued by Central Government of India under the Provident Funds Act, 1952 (the PF Act), in which the RPFC sought to cover the erstwhile TCS Division under the PF Act and claimed administrative charges. The erstwhile TCS Division filed a legal case contesting the order in the High Court of Judicature at Bombay.

Pending resolution of the matter, a provision of Rs. 46.83 crores upto June 30, 2006 (*March 31, 2006: Rs. 44.29 crores*) was made based on the management's estimate of the claim for administrative charges.

The High Court of Judicature at Bombay, vide its judgement dated September 20, 2006, has upheld the Company's case against the RPFC, setting aside its order dated November 24, 1998. Management is of the opinion that in view of the favourable decision of the High Court of Judicature at Bombay, the provision for administrative charges is no longer required. Accordingly an amount of Rs. 46.83 crores has been credited to "Company's Contribution to Provident Fund Account" during the year ended March 31, 2007.

11) **Obligations towards non-cancellable lease**

Lease Obligation

	2007	2006
	(Rs. in crores)	(Rs. in crores)
Due not later than one year	133.80	68.71
Due later than one year but not later than five years	327.90	141.74
Later than five years	228.08	11.28
Total	689.78	221.73

Rental expenses of Rs. 204.64 crores (*Previous year: Rs. 47.96 crores*) in respect of obligation under operating leases have been recognised in the profit and loss account.

- 12) Research and development expenditure aggregating Rs. 28.02 crores (*Previous year: Rs. 30.16 crores*) was incurred during the year.
- 13) In accordance with the Employee Stock Option Scheme of the Employees' Share Participation Trust ("Trust") of the erstwhile Tata Infotech Limited, the "Trust" had granted 372950 options in earlier years out of the shares held by the Trust. Out of these options granted, the vesting period for 118116 options had not lapsed as of January 2006.

Subsequent to the approval of the shareholders of the amalgamation of TIL with the Company, the Trustees of the Trust at their meeting held on January 17, 2006, dissolved the Trust in terms of the Trust Deed in view of the imminent amalgamation. The dissolution of the Trust resulted in the unvested options for 118116 shares becoming fully exercisable by the employees. Further, disbursements of the residual assets in the Trust, comprising 120626 shares held by the Trust and cash amounting to Rs. 10.17 crores with the Trust, were made to certain employees of TIL in January 2006 and Rs. 1.24 crores was paid to the Company's Employee Welfare Trust.

Based on independent legal opinion, the Company is of the view that the SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 do not apply to the accelerated vesting and distribution made in the course of the dissolution of the Trust in January 2006.

- 14) Sale of Equipment is net of excise duty Rs. 2.12 crores (*Previous year: Rs. 5.51 crores*).

15) Segment Reporting

The Company has identified geographic segments as its primary segment and industry segments as its secondary segment. Geographic segments of the Company are Americas, Europe, India and Others.

Secondary segments of the Company are Banking, Financial Services and Insurance (BFSI), which are considered as single segment, Manufacturing, Retail and Distribution, Telecom and Others. Others comprise Transportation, Life Sciences and Healthcare, Energy and Utilities, e-Governance, Media and Entertainment, Travel and Hospitality services and sale of products.

Revenue and expense directly attributable to segments are reported under each reportable segment. Expenses incurred in India on behalf of other segments and not directly identifiable to each reportable segment have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets have not been allocated between segments as these are used interchangeably between segments.

Year ended March 31, 2007

(Rs. in crores)

Particulars	Geographic Segment				Total
	Americas	Europe	India	Others	
Revenue	8899.62	4105.58	1189.63	745.14	14939.97
	6845.69	2622.38	1141.81	620.62	11230.50
Identified operating expenses	5124.69	2180.66	769.50	473.71	8548.56
	3921.33	1357.74	704.59	353.20	6336.86
Allocated expenses	958.11	469.91	140.46	93.35	1661.83
	781.20	286.49	139.53	71.92	1279.14
Segment result	2816.82	1455.01	279.67	178.08	4729.58
	2143.16	978.15	297.69	195.50	3614.50
Unallocable expenses (net)					775.45
					603.41
Operating income					3954.13
					3011.09
Other income					216.55
					63.26
Profit before taxes					4170.68
					3074.35
Tax expense					413.39
					357.48
Net profit					3757.29
					2716.87

As at March 31, 2007

	Americas	Europe	India	Others	Total
Segment Assets	1138.98	1581.02	890.06	475.98	4086.04
	1164.01	994.59	609.45	325.42	3093.47
Unallocable assets					6679.20
					4336.73
Total Assets					10765.24
					7430.20
Segment Liabilities	860.44	709.51	221.22	182.28	1973.45
	597.16	384.38	243.07	119.55	1344.16
Unallocable liabilities					732.80
					476.71
Total Liabilities					2706.25
					1820.87

Business Segment

The following business segments individually contribute 10 percent or more of the Company's revenues and segment assets:

Industry Segment	Revenues for the year ended March 31, 2007	Segment Assets as at March 31, 2007
	(Rs. in crores)	(Rs. in crores)
Banking, Financial Services and Insurance	6088.22	1165.91
	4556.99	996.90
Manufacturing	1991.11	320.96
	1611.53	276.47
Retail and Distribution	970.97	169.13
	698.14	131.16
Telecom	2732.22	797.06
	1789.62	520.09

16) Related Party Disclosures**A. Related Parties and their Relationship****I. Holding Company**

- Tata Sons Limited

II (A). Subsidiaries (Direct Holding)

1. CMC Limited
2. Tata Consultancy Services Sverige AB
3. Tata Consultancy Services Asia Pacific Pte Limited
4. TCS Iberoamerica S.A.

II (B). Subsidiaries (Indirect Holding)

- i) CMC Americas Inc.
- i) Swedish Indian IT Resources AB
- i) Tata Information Technology (Shanghai) Company Limited
- ii) Tata Consultancy Services Japan Limited
- iii) Tata Consultancy Services Malaysia Sdn Bhd
- iv) Tata Consultancy Services (China) Co., Ltd. (w.e.f. 16-11-2006)
- v) PT Tata Consultancy Services Indonesia (w.e.f. 05-10-2006)
- i) TCS Solution Center S.A., Uruguay
- ii) TCS Argentina S.A.
- iii) Tata Consultancy Services Do Brasil Desenvolvimento De Servicos Ltda (formerly TCS Brazil S/C Ltda)
- iv) Tata Consultancy Services De Mexico S.A. De C.V.
- v) TCS Inversiones Chile Limitada
- vi) Tata Consultancy Services De Espana S.A.
- vii) Tata Consultancy Services Do Brasil S.A.
- viii) Tata Consultancy Services Chile S.A.
- ix) Tata Consultancy Services BPO Chile, S.A. *
- x) Comicro S.A. *
- xi) Sisteco S.A. *
- xii) Tata Consultancy Services Chile Limitada *
- xiii) Syscrom S.A.
- xiv) Pentacrom S.A.
- xv) Pentacrom Servicios S.A.

- xvi) Custodia De Documentos Intres Limitada
- xvii) Tatasolution Center S.A. (w.e.f. 28-12-2006)
- xviii) Tata Consultancy Services Portugal Unipessoal Limitada
- 5. Tata Consultancy Services Netherlands B.V.
 - i) Tata Consultancy Services Luxembourg S.A.
 - ii) TKS – Teknosoft S.A. (w.e.f. 31-10-2006)
 - iii) TKS Services S.A. (w.e.f. 31-10-2006)
 - iv) Quartz Software Technology S.A. (w.e.f. 31-10-2006)
 - v) TKS Banking Solutions S.A. (w.e.f. 31-10-2006)
 - vi) TKS Teknosoft (France) SAS (w.e.f. 31-10-2006)
 - vii) TCS Italia SRL
- 6. TCS FNS Pty Limited
 - i) Financial Network Services (Holdings) Pty Limited
 - ii) Financial Network Services Pty Limited
 - iii) Financial Network Services (Facilities Management) Pty Limited
 - iv) Financial Network Services Europe Plc
 - v) PT Financial Network Services
 - vi) Financial Network Services (Africa) (Pty) Ltd.
 - vii) Financial Network Services (H.K.) Limited
 - viii) Financial Network Services Malaysia Sdn Bhd
 - ix) TCS Management Pty Ltd. (w.e.f. 08-11-2006)
 - x) Financial Network Services (Beijing) Co. Ltd. (w.e.f. 29-12-2006)
 - xi) Chong Wan Investments Limited (Dissolved on 08-09-2006)
- 7. APONLINE Limited
- 8. Tata America International Corporation
- 9. Tata Consultancy Services Belgium S.A.
- 10. Tata Consultancy Services Deutschland GmbH
- 11. Tata Consultancy Services France SAS
- 12. WTI Advanced Technology Limited
- 13. Tata Infotech Deutschland GmbH
- 14. Tata Infotech (Singapore) Pte Limited
- 15. Exegenix Canada Inc.
- 16. Diligenta Limited
- 17. C-Edge Technologies Limited
- 18. MP Online Limited

* Sisteco S.A. amalgamated with Comicro S.A. with effect from November 30, 2006 and the amalgamated entity merged with Tata Consultancy Services Chile Limitada with effect from December 31, 2006. The new entity was renamed as Tata Consultancy Services BPO Chile, S.A. with effect from December 31, 2006.

III. Fellow Subsidiaries

- Tata AIG General Insurance Company Limited
- Tata AIG Life Insurance Company Limited
- TCE Consulting Engineers Limited
- E2E Serwiz Solutions Limited
- Tata Sky Limited (formerly Space TV Limited)
- THDC Limited (formerly Tata Housing Development Company Limited)
- Tata Teleservices Limited
- Tata Teleservices (Maharashtra) Limited
- Tata Internet Services Limited
- Tata Limited, London
- Ewart Investment Limited
- Primal Investment & Finance Limited
- Concept Marketing & Advertising Limited
- Tata International AG, ZUG
- Tata AG., ZUG
- Panatone Finvest Limited
- Tata Asset Management Ltd.
- Tata Petrodyne Ltd.
- Wireless-TT Infoservices Ltd.
- Infiniti Retail Limited (formerly Value Electronics Limited)
- Tata Asset Management (Mauritius) Ltd.
- Ewart Investment Private Limited (Mauritius) (w.e.f. 30-08-2006)
- Tata Pension Management Ltd. (w.e.f. 31-08-2006)
- Computational Research Laboratories Pvt. Ltd. (w.e.f. 12-07-2006)
- Tata Realty and Infrastructure Limited (w.e.f. 02-03-2007)

IV. Associates

- Conscripti (Pty) Ltd.
- Exegenix Research Inc. *
- Firstech Solution Co. Ltd.

V. Joint Venture

- Sitel India Limited * (ceased to be Joint Venture on 26-03-2007)

VI. Key Management Personnel

- Mr. S. Ramadorai (Chief Executive Officer and Managing Director)
- Mr. S. Mahalingam (Chief Financial Officer)

* Consequent to the amalgamation of the erstwhile Tata Infotech Limited with effect from April 1, 2005 (Refer note 3, page 128)

B. Transactions with Related Parties

Year ended March 31, 2007

(Rs. in crores)

Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates / Joint Venture	Key Management Personnel	Total
Issue of Bonus Shares	38.92 -	- -	0.01 -	- -	0.01 -	38.94 -
Issue of Shares pursuant to Amalgamation of TIL	- 0.68	- -	- -	- -	- -	- 0.68
Brand Equity Contribution	37.57 27.99	- -	- -	- -	- -	37.57 27.99
Purchase of Fixed Asset	- 0.01	64.51 35.03	3.63 0.56	0.47 0.03	- -	68.61 35.63
Loans and Advances	- -	87.06 375.13	- -	- -	- -	87.06 375.13
Inter Corporate Deposit	- -	- -	- 20.00	- -	- -	- 20.00
Purchase of Investment	- -	760.83 371.99	- -	- 10.70	- -	760.83 382.69
Revenues	- 0.28	8067.17 5914.37	195.37 162.91	41.94 54.36	- -	8304.48 6131.92
Interest Income	- -	8.04 0.73	- 0.17	- -	- -	8.04 0.90
Dividend Income	- -	3.87 4.50	- -	- -	- -	3.87 4.50
Rent Income	- -	0.29 0.30	- 0.61	- -	- -	0.29 0.91
Rent Paid	0.32 0.25	33.70 -	1.23 0.87	0.06 0.03	- -	35.31 1.15
Purchase of Goods, Services and Facilities	- 1.04	531.29 342.83	1.35 31.53	14.97 17.47	- -	547.61 392.87
Bad Debts written-off	- -	0.77 2.27	0.16 -	- -	- -	0.93 2.27
Provision for doubtful debts / advances	- -	0.19 1.01	- 0.48	- 0.07	- -	0.19 1.56
Dividend Paid	755.09 542.32	- -	0.19 -	- -	0.18 0.13	755.46 542.45
Guarantees	- -	1878.12 13.39	- -	- -	- -	1878.12 13.39
Remuneration	- -	- -	- -	- -	3.60 3.17	3.60 3.17

C. Balances with Related Parties

(Rs. in crores)

Particulars	Holding Company	Subsidiaries	Fellow Subsidiaries	Associates / Joint Venture	Key Management Personnel	Total
As at March 31, 2007						
Debtors, Unbilled Revenue, Loans and Advances	0.96 0.35	1409.37 1412.06	74.59 76.78	11.56 15.66	- -	1496.48 1504.85
Creditors, Advance Billing, Advances from Customers	29.08 28.00	392.60 244.90	5.35 10.25	6.69 6.83	- -	433.72 289.98
Guarantees	- -	1933.30 42.21	- -	- -	- -	1933.30 42.21

D. Disclosure of Material Transactions with Related Parties

	2007 (Rs. in crores)	2006 (Rs. in crores)
<u>Purchase of Fixed Assets</u>		
CMC Ltd.	64.46	34.34
<u>Revenues</u>		
Tata America International Corporation	7237.23	5469.46
<u>Purchase of Goods, Services and Facilities</u>		
CMC Ltd.	321.48	180.06
CMC America Inc.	103.02	43.67
<u>Debtors, Unbilled Revenue, Loans and Advances</u>		
Tata America International Corporation	657.24	733.79
Financial Network Services Pty Limited	185.83	-
<u>Guarantees' Outstanding</u>		
Diligenta Limited	1852.62	-
<u>Sundry Creditors, Advance Billing, Advances from Customers</u>		
Tata America International Corporation	126.29	112.48
CMC Ltd.	125.14	80.67
<u>Purchase of Investments</u>		
Tata Consultancy Services Netherlands B.V.	387.15	-
Diligenta Limited	332.18	230.75
<u>Loans Given During the Year</u>		
Financial Network Services Pty Limited	46.69	122.71
Tata Consultancy Services Asia Pacific Pte Limited	40.21	-
<u>Inter Corporate Deposits</u>		
Tata Teleservices Ltd.	-	20.00
<u>Bad Debts Written-off</u>		
TCS Iberoamerica S.A.	0.77	2.27
Tata Teleservices Limited	0.16	-
<u>Guarantees Given During the Year</u>		
Diligenta Limited	1852.62	-

- 17) On March 26, 2007, the Company has sold its 40% equity interest in joint venture with Sitel India Limited for a consideration of Rs. 76.98 crores (USD 17.73 million). Details of Company's share (40%) in the assets, liabilities, income and expenses of its joint venture with Sitel India Limited was as follows:-

	2007 (Rs. in crores)	2006 (Rs. in crores)
Fixed Assets	-	10.78
Current Assets	-	16.70
Current Liabilities	-	9.36
Secured Loans	-	2.57
Total Income	51.81	34.16
Total Expenses	47.92	31.74
Profit Before Tax	3.89	2.42
Taxes	0.20	0.43
Profit After Tax	3.69	1.99

18) **Managerial Remuneration**

	2007 (Rs. in crores)	2006 (Rs. in crores)
1. Managing Director		
(a) Salaries (including Company contribution to Provident and Superannuation funds)	0.74	0.80
(b) Commission	1.60	1.25
(c) Estimated value of perquisites and allowances	0.60	0.39
	2.94	2.44
2. Non Whole-time Directors		
(a) Commission	2.40	1.60
(b) Sitting fees	0.07	0.05
	2.47	1.65
Total Remuneration	5.41	4.09

Note:

The above figures do not include provisions for encashable leave and gratuity premiums paid for the Group Health Insurance as separate actuarial valuations are not available for the Managing Director.

3. Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956.

	2007 (Rs. in crores)	2006 (Rs. in crores)
Profit before taxes and exceptional items	4170.68	3074.35
Add:		
(a) Managerial Remuneration	5.41	4.09
(b) Provision for bad and doubtful debts and advances	1.74	15.51
	7.15	19.60
Less:		
(a) Profit on redemption of mutual funds	7.98	1.84
(b) Profit on sale of long-term investment	66.28	-
(c) Capital profits on sale of fixed assets	0.14	1.28
	74.40	3.12
Net Profit as per Section 309 (5) of the Companies Act, 1956	4103.43	3090.83
Commission:		
(a) Managing Director	1.60	1.25
(b) Non Whole-time Directors	2.40	1.60

Note:

The remuneration payable to the managing director is subject to approval of the shareholders.

19) **Auditors' remuneration**

	2007	2006
	(Rs. in crores)	(Rs. in crores)
For services as Auditors, including quarterly audits	1.20	1.20
For Tax Audit	0.25	0.25
For Other services	0.28	0.11
Reimbursement of out-of-pocket expenses	0.10	0.13
For service tax	0.22	0.16

The remuneration disclosed above excludes fees of Rs. 1.50 crores (*Previous year: Rs. 1.10 crores*) for professional services rendered by a firm of accountants in which some partners of the firm of statutory auditors are partners.

- 20) Current tax is net of the effect of write-back of provisions and refunds received in certain overseas jurisdictions relating to earlier years, of Rs. 2.59 crores (*Previous year: Rs. 38.03 crores*).

21) **Contingent Liabilities**

	As at March 31, 2007	As at March 31, 2006
	(Rs. in crores)	(Rs. in crores)
Claims against the Company not acknowledged as debt (See note (i) below)	320.21	292.85
Guarantees given by the Company on behalf of subsidiaries (See note (ii) below)	1933.30	42.21

- i) Claims against the Company not acknowledged as debt includes:

- a) Rs. 86.26 crores (*March 31, 2006: Rs. 79.15 crores*) in respect of claims made by lessors for properties leased under tenancy agreements. These claims are being contested in the courts by the Company. The management does not expect these claims to succeed. An amount of Rs. 11.00 crores (*March 31, 2006: Rs. 10.17 crores*) has been accrued under other liabilities.
- b) Rs. 212.36 crores (EUR 36.68 million) (*March 31, 2006: Rs. 197.91 crores, EUR 36.68 million*) in respect of a claim for compensation made by an overseas party. No provision has been made in these financial statements as management considers the probability of the claim succeeding to be remote.

- ii) The Company has provided guarantees aggregating to Rs. 1852.62 crores (GBP 217.50 million) (*March 31, 2006: Rs. Nil*) to third parties on behalf of its subsidiary Diligenta Limited.

22) **Commitments**

- i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) Rs. 749.74 crores (*March 31, 2006: Rs. 516.58 crores*).
- ii) Pearl Group Services Limited ("Pearl") has an equity holding of 24 percent in Diligenta Limited. Under the shareholders agreement, the Company has a call option to purchase all the shares held by Pearl at fixed price of Rs. 257.58 crores (GBP 30.24 million) at the end of 4th year and Pearl has a put option to sell the shares to the Company at the same price at the end of the 5th year.
- iii) The Company has undertaken to provide continued financial support to its subsidiary APONLINE Limited.

23) **Income in Foreign Currency**

	2007	2006
	(Rs. in crores)	(Rs. in crores)
(a) FOB value of exports	26.05	24.60
(b) Consultancy Services	13676.58	10076.45
(c) Sale of Equipment and Software Licences	64.53	23.99
(d) Interest Income	4.49	0.72
(e) Other Income	30.82	1.32

24) Expenditure in Foreign Currency
(subject to deduction of tax where applicable)

	2007 (Rs. in crores)	2006 (Rs. in crores)
(a) Royalty	0.25	0.36
(b) Professional Fees	62.54	54.06
(c) Interest	2.96	2.70
(d) Business Associate Expenses	555.68	441.73
(e) Communication Expenses	89.41	78.85
(f) Foreign Taxes	272.41	192.10
(g) Overseas Business Expenses	1284.26	1302.97
(h) Overseas Employee Costs	3183.54	1788.62
(i) Travelling and Conveyance	67.56	39.97
(j) Software Expenses	270.04	180.75
(k) Others	374.30	345.46

25) Value of Imports calculated on C.I.F. basis

	2007 (Rs. in crores)	2006 (Rs. in crores)
Raw materials, sub-assemblies and components	14.96	17.88
Finished goods *	-	76.76
Capital goods	352.99	122.02
Stores and spare parts	-	1.64

* Includes value of units capitalised for internal use.

26) Licensed and installed capacities and production

(Installed capacity certified by the management and accepted by the auditors without verification, this being a technical matter).

	Installed Capacity (units)	Actual Production (units)
Document Processing Systems	2000	584

Licensed capacity for document processing systems is not applicable.

27) Information in regard to finished goods

Particulars	Opening Stock		Purchase		Turnover		Closing Stock	
	Qty	Value (Rs. in crores)	Qty	Value (Rs. in crores)	Qty	Value (Rs. in crores)	Qty	Value (Rs. in crores)
Mini / micro processors based systems	12 39	2.25 1.78	- 1524	- 123.43	12 1551	2.25 132.89	- 12	- 2.25
Document processing systems	127 189	0.62 1.29	- -	- -	603 1095	14.39 22.82	108 127	1.06 0.62
Automated teller systems	- -	- -	- -	- -	- 619	- 25.38	- -	- -
Others (including software license)	- -	- -	- -	- -	- -	515.38 360.55	- -	- -
		2.87 3.07		- 123.43		532.02 541.64		1.06 2.87

28) Value of imported and indigenous raw materials, sub-assemblies and components, stores and spare parts consumed

	Raw materials, sub-assemblies and components		Stores and Spare Parts	
	(Rs. in crores)	%	(Rs. in crores)	%
Imported	15.22	70.80	0.01	0.02
	27.19	80.38	-	-
Indigenous	6.28	29.20	0.51	99.98
	6.64	19.62	1.17	100.00
Total	21.50	100.00	0.52	100.00
	33.83	100.00	1.17	100.00

Note:

Consumption figures shown above are after adjusting excess and shortages ascertained on physical count, unserviceable items, etc.

29) Remittance in foreign currencies for dividends

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittances, if any, in foreign currencies on account of dividends have been made by / on behalf of non-resident shareholders. The particulars of dividends declared and paid to non-resident shareholders for the year 2005-2006 and interim dividends for the year 2006-2007, are as under:

	Number of Non-Resident Shareholders	Number of Ordinary Shares Held	Gross Amount of dividend	
			(Rs. in crores)	
			2007	2006
Final dividend for 2004-2005 declared in April 2005	5,304	3,11,45,199	-	15.57
Interim dividend declared in August 2005	5,314	3,25,87,707	-	9.78
Interim dividend declared in October 2005	5,143	3,34,88,630	-	10.05
Interim dividend declared in January 2006	5,150	3,76,02,178	-	11.29
Final dividend for 2005-2006 declared in June 2006	6,147	3,13,18,876	14.09	-
Interim dividend declared in July 2006	6,330	3,06,05,709	9.18	-
Interim dividend declared in October 2006	6,717	5,91,23,144	17.74	-
Interim dividend declared in January 2007	7,067	6,85,47,742	20.56	-

30) Derivative Instruments

a) The Company has entered into the following derivative instruments:

The Company uses foreign currency forward contracts and currency options to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts and currency options is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts and currency options consistent with the Company's Risk Management Policy. The Company does not use forward contracts and currency options for speculative purposes.

i. The following are outstanding Foreign Exchange Forward contracts, which have been designated as Cash Flow Hedges, as at March 31, 2007.

Foreign Currency	No. of Contracts	Notional amount of Forward contracts in foreign currency (million)	Rupee Equivalent (Rs. in crores)
Sterling Pound	5	21.0	178.91
Euro	3	15.0	86.84

- ii. The following are outstanding Currency Option contracts, which have been designated as Cash Flow Hedges, as at March 31, 2007.

Foreign Currency	No. of Contracts	Notional amount of Options contracts in foreign currency (million)	Rupee Equivalent (Rs. in crores)
Euro	11	76.5	442.87
Sterling Pound	5	47.5	404.68
U.S.Dollar	27	830.0	3609.67

- b) As of the balance sheet date, the Company has net foreign currency exposure that are not hedged by a derivative instrument or otherwise amounting to Rs. 1116.96 crores.

31) Disclosure required by Clause 32 of the Listing Agreement

Amount of loans and advances in nature of loans outstanding from subsidiaries for the year ended March 31, 2007.

Subsidiary Company	Outstanding as at March 31, 2007 (Rs. in crores)	Maximum amount outstanding during the year (Rs. in crores)
MP Online Limited	0.15	1.00
Tata Consultancy Services Asia Pacific Pte Limited *	40.21	46.15
Tata Consultancy Services Sverige AB **	7.83 (20.08)	20.95 (20.67)
TCS FNS Pty Limited ***	173.98 (115.32)	173.98 (123.12)
Diligenta Limited	- (232.48)	266.28 (232.83)

No. of Shares

* Tata Consultancy Services Asia Pacific Pte Limited has made the following investments in its subsidiaries:

(a) Tata Consultancy Services Malaysia Sdn Bhd (100%)	20,00,000
(b) Tata Consultancy Services Japan Limited (100%)	1,200
(c) Tata Consultancy Services (China) Co., Ltd. (72.22%)	7,27,97,760
(d) PT Tata Consultancy Services Indonesia (99%)	99

** Tata Consultancy Services Sverige AB has made the following investments in its subsidiary:

(a) Swedish Indian IT Resources AB	1,000
------------------------------------	-------

*** TCS FNS Pty Limited has made the following investments in its subsidiaries:

(a) Financial Network Services (Holdings) Pty Limited	65,58,424
(b) TCS Management Pty Ltd.	3,12,328

32) Previous year's figures have been recast / restated wherever necessary.

33) Previous year's figures are in italics.

Balance Sheet Abstract and Company's General Business Profile

I) Registration Details

Registration No.	84781	State Code	11
Balance Sheet Date	31st March, 2007		

II) Capital Raised during the year (Amount Rs. in Thousands)

Public Issue	Rights Issue
Nil	Nil
Bonus Issue *	Private Placement
489305	Nil

* 48,93,05,249 equity shares of Re. 1 each were allotted as fully paid up bonus shares on July 31, 2006 by utilisation of Securities Premium Account.

III) Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

	Total Liabilities	Total Assets
	81703255	81703255
Sources of Funds	Paid-up Capital	Reserves and Surplus
	978610	79611178
	Secured Loans	Unsecured Loans
	417581	89803
	Other Liabilities	
	606083	
Application of Funds	Net Fixed Assets	Investment
	22184553	32520350
	Net Current Assets	Other Assets
	26622267	376085

IV) Performance of the Company (Amount Rs. in Thousands)

Income	Total Expenditure
151565145	109858352
Profit / (Loss) Before Tax	Profit / (Loss) After Tax
41706793	37572860
Earnings per Share in Rs. (Weighted Average)	Dividend Rate %
38.39	1150% #

On post-bonus paid-up capital. Comprises an interim dividend of Rs. 3/- per share on pre-bonus share capital and interim / proposed final dividend aggregating Rs. 10/- per share on post-bonus share capital.

V) Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	85249009
Product Description	Computer Software

Auditors' Report on Consolidated Financial Statements

TO THE BOARD OF DIRECTORS OF
TATA CONSULTANCY SERVICES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **TATA CONSULTANCY SERVICES LIMITED** ('the Company'), and its subsidiaries (collectively referred as 'the TCS Group') as at March 31, 2007 and the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain subsidiaries and a joint venture, whose financial statements reflect total assets (net) of Rs. 3043.26 crores as at March 31, 2007, total revenues of Rs. 11398.83 crores and net cash inflows amounting to Rs. 528.70 crores for the year ended on that date. These financial statements and other financial information has been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standards (AS) 21, Consolidated Financial Statements, Accounting Standards (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standards (AS) 27, Financial Reporting of Interests in Joint Ventures issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the TCS Group as at March 31, 2007;
 - (ii) in the case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

N VENKATRAM
Partner

Membership No. 71387

Mumbai, April 16, 2007

Consolidated Balance Sheet as at March 31, 2007

	Schedule	As at March 31, 2007 Rs. in crores (Refer note 1)	As at March 31, 2006 Rs. in crores
SOURCES OF FUNDS:			
1 SHAREHOLDERS' FUND			
(a) Share Capital	A	97.86	48.93
(b) Reserves and Surplus	B	8752.24	5949.88
		8850.10	5998.81
2 MINORITY INTEREST		211.80	164.72
3 LOAN FUNDS			
(a) Secured Loans	C	63.09	86.07
(b) Unsecured Loans	D	443.66	30.62
		506.75	116.69
4 DEFERRED TAX LIABILITIES (NET)	E	71.70	47.26
5 TOTAL FUNDS EMPLOYED		9640.35	6327.48
APPLICATION OF FUNDS:			
6 FIXED ASSETS	F		
(a) Gross Block		3197.71	1951.04
(b) Less:- Accumulated Depreciation		1079.16	661.91
(c) Net Block		2118.55	1289.13
(d) Capital Work-in-Progress		793.04	708.96
		2911.59	1998.09
7 GOODWILL (ON CONSOLIDATION)		1068.34	733.90
8 INVESTMENTS	G	1256.87	704.62
9 DEFERRED TAX ASSETS (NET)	E	72.44	23.69
10 CURRENT ASSETS, LOANS AND ADVANCES			
(a) Interest Accrued on Investments		0.51	0.33
(b) Inventories	H	41.60	80.64
(c) Unbilled Revenues		783.50	480.05
(d) Sundry Debtors	I	4297.93	3253.13
(e) Cash and Bank Balances	J	1396.45	432.38
(f) Loans and Advances	K	1356.92	918.75
		7876.91	5165.28
11 CURRENT LIABILITIES AND PROVISIONS			
(a) Current Liabilities	L	2522.14	1726.47
(b) Provisions	M	1023.66	571.63
		3545.80	2298.10
12 NET CURRENT ASSETS [(10) less (11)]		4331.11	2867.18
13 TOTAL ASSETS (NET)		9640.35	6327.48
14 NOTES TO ACCOUNTS	Q		

As per our report attached

For and on behalf of the Board

For **S.B. BILLIMORIA & CO.**
Chartered Accountants**N. Venkatram**
Partner**S. Mahalingam**
Chief Financial Officer**S.H. Rajadhyaksha**
Company Secretary**Ratan N. Tata**
Chairman**S. Ramadorai**
CEO and Managing Director**Aman Mehta**
Director**Venkatraman Thyagarajan**
Director**Naresh Chandra**
Director**Dr. Ron Sommer**
Director

Mumbai, April 16, 2007

Mumbai, April 16, 2007

Consolidated Profit and Loss Account for the year ended March 31, 2007

	Schedule	2007 Rs. in crores (Refer note 1)	2006 Rs. in crores
INCOME			
1	Information technology and consultancy services	17806.60	12408.68
2	Sale of equipment and software licences	878.61	855.31
3	Other income (net)	229.05	113.89
	N	18914.26	13377.88
EXPENDITURE			
4	Employee costs	7743.33	4719.19
5	Operation and other expenses	5803.03	4860.50
	P	13546.36	9579.69
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES			
		5367.90	3798.19
6	Interest	9.45	9.14
7	Depreciation	440.17	282.43
	F	4918.28	3506.62
PROFIT BEFORE TAXES			
8	PROVISION FOR TAXES		
	(a) Current tax	(654.02)	(479.99)
	(b) Deferred tax	9.92	(7.26)
	(c) Fringe benefit tax	(19.86)	(22.32)
		4254.32	2997.05
PROFIT FOR THE YEAR BEFORE MINORITY INTEREST AND SHARE OF PROFIT OF ASSOCIATES			
9	Minority interest	(42.77)	(29.84)
10	Share of profit of associates	1.08	(0.47)
NET PROFIT FOR THE YEAR			
		4212.63	2966.74
11	Balance brought forward from previous year	3190.57	1146.96
12	Amalgamation of companies		
	(a) Amounts transferred on amalgamation of companies (Refer note 3, page 161)	-	136.16
	(b) Adjustment for profits considered in prior periods	-	(26.89)
13	Adjustment for change in accounting policy in a subsidiary (Refer note 6, page 162)	(4.02)	-
AMOUNT AVAILABLE FOR APPROPRIATION			
		7399.18	4222.97
14	APPROPRIATIONS		
	(a) Interim dividend	733.95	432.10
	(b) Interim dividend - Tata Infotech Limited	-	8.27
	(c) Proposed final dividend	391.44	220.19
	(d) Tax on dividend	170.53	93.70
	(e) General Reserve	382.14	278.10
	(f) Capital Redemption Reserve	-	0.04
	(g) Balance carried to Balance Sheet	5721.12	3190.57
		7399.18	4222.97
15	Earnings per share - Basic and diluted (Rs.) (Refer note 8, page 164)	43.05	30.32
	Weighted average number of shares	97,86,10,498	97,86,10,498
16	NOTES TO ACCOUNTS	Q	

As per our report attached

For and on behalf of the Board

For **S.B. BILLIMORIA & CO.**
Chartered Accountants

N. Venkatram
Partner

S. Mahalingam
Chief Financial Officer

S.H. Rajadhyaksha
Company Secretary

Ratan N. Tata
Chairman

S. Ramadorai
CEO and Managing Director

Aman Mehta
Director

Venkatraman Thyagarajan
Director

Naresh Chandra
Director

Dr. Ron Sommer
Director

Mumbai, April 16, 2007

Mumbai, April 16, 2007

Statement of Consolidated Cash Flows for the year ended March 31, 2007

	2007 Rs. in crores (Refer note 1)	2006 Rs. in crores
1. CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxes	4918.28	3506.62
Adjustments for:		
Depreciation	440.17	282.43
Provision for doubtful debts and advances	12.13	33.94
Interest expense	9.45	9.14
Loss / (Profit) on sale of fixed assets (net)	0.69	(26.23)
Dividend income	(38.22)	(18.14)
Profit on redemption of mutual funds	(10.07)	(3.29)
Profit on sale of Joint Venture (Refer note 19, page 170)	(66.90)	-
Loss on sale of investments	0.17	1.26
Interest income	(21.71)	(24.65)
Exchange difference arising on consolidation	(39.41)	15.31
Exchange difference on translation of foreign currency cash and cash equivalents	7.34	(3.72)
Unrealised exchange gains	(36.48)	(0.05)
Operating Profit before working capital changes	5175.44	3772.62
Inventories	39.04	(9.08)
Unbilled revenues	(304.35)	(243.18)
Sundry debtors	(966.96)	(979.87)
Loans and advances	(345.02)	(93.34)
Current liabilities and provisions	515.69	637.95
Cash generated from operations	4113.84	3085.10
Taxes paid	(641.97)	(596.85)
Net cash provided by operating activities	3471.87	2488.25
2. CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1248.59)	(658.65)
Proceeds from sale of fixed assets	7.26	35.91
Purchase of other investments, (net of mutual funds dividend reinvested) (net)	(495.68)	(211.88)
Advance against investment in mutual funds	(2.00)	(1.75)
Acquisition of subsidiaries, net of cash acquired of Rs. 207.33 crores (including additional consideration)	(180.41)	(658.06)
Sale of interest in Joint Venture, net of cash of Rs. 4.56 crores (Refer note 19, page 170)	72.42	-
Inter corporate deposits (net)	8.00	15.00
Dividend received	4.24	18.14
Interest received	21.12	25.60
Net cash used in investing activities	(1813.64)	(1435.69)
3. CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings (net)	392.54	(112.01)
Dividend paid, including dividend tax	(1088.16)	(792.28)
Dividend paid to minority shareholders of a subsidiary	(3.68)	(3.33)
Proceeds from issue of shares by subsidiaries	21.13	-
Interest paid	(8.65)	(9.13)
Net cash used in financing activities	(686.82)	(916.75)
Net increase in cash and cash equivalents	971.41	135.81
Cash and cash equivalents at beginning of the year	432.38	274.69
Adjustment as on April 1, 2005 consequent to amalgamation of Tata Infotech Limited and its subsidiaries (Refer note 3, page 161)	-	18.16
Exchange difference on translation of foreign currency cash and cash equivalents	(7.34)	3.72
Cash and cash equivalents at end of the year	1396.45	432.38

Notes:

- Cash and Cash equivalents as on March 31, 2007 includes equity share application money of Rs. 0.05 crores (March 31, 2006: Rs. 0.10 crores) and restricted cash of Rs. 2.90 crores (March 31, 2006: Rs. 2.04 crores).
- 91,90,440 equity shares Re. 1 each, were allotted as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant to the Scheme of Amalgamation (Refer note 3, page 161).

As per our report attached

For and on behalf of the Board

For **S.B. BILLIMORIA & CO.**
Chartered Accountants**Ratan N. Tata**
Chairman**N. Venkatram**
Partner**S. Ramadorai**
CEO and Managing Director**S. Mahalingam**
Chief Financial Officer**Aman Mehta**
Director**Naresh Chandra**
Director**S.H. Rajadhyaksha**
Company Secretary**Venkatraman Thyagarajan**
Director**Dr. Ron Sommer**
Director

Mumbai, April 16, 2007

Mumbai, April 16, 2007

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'A'		
SHARE CAPITAL		
Authorised		
120,00,00,000 equity shares of Re. 1 each	120.00	60.00
(March 31, 2006: 60,00,00,000 equity shares of Re. 1 each)		
Issued, Subscribed and Paid up		
97,86,10,498 equity shares of Re. 1 each	97.86	48.93
(March 31, 2006: 48,93,05,249 equity shares of Re. 1 each)		

Notes:

- a) Equity Shares of Rs. 10 each have been sub-divided into ten equity shares of Re. 1 each pursuant to the resolution passed by the shareholders at the Annual General Meeting on May 5, 2004.
- b) The Authorised Share Capital was increased to 120,00,00,000 equity shares of Re. 1 each pursuant to a shareholders' resolution passed at the Annual General Meeting on June 29, 2006.
- c) The Company allotted 9,11,00,009 equity shares as fully paid up bonus shares by capitalisation of profits transferred from General Reserve, pursuant to a shareholders' resolution passed at the Annual General Meeting on May 5, 2004.
- d) The Company allotted 48,93,05,249 equity shares as fully paid up bonus shares on July 31, 2006 by utilisation of Securities Premium Account.
- e) 91,90,440 equity shares of Re. 1 each, had been allotted in 2005-06 as fully paid up to the Shareholders of erstwhile Tata Infotech Limited pursuant to the Scheme of Amalgamation (Refer note 3, page 161).
- f) 75,85,56,921 (March 31, 2006: 38,92,42,225) equity shares are held by Tata Sons Limited, the holding company.

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'B'	(Refer note 1)	
RESERVES AND SURPLUS		
(a) Capital Reserve (on consolidation)	5.02	14.07
(b) Capital Redemption Reserve	0.40	0.40
(c) Securities Premium Account		
(i) Opening balance	2066.68	2066.68
(ii) Transferred to Share Capital Account consequent to issue of bonus shares	(48.93)	-
	2017.75	2066.68
(d) General Reserve		
(i) Opening Balance	681.52	203.56
(ii) Adjustment for change in accounting policy (Refer note 6, page 162)	(142.61)	-
(iii) Transferred on Amalgamation	-	198.59
(iv) Adjustment on Amalgamation	-	1.27
(v) Transferred from Profit and Loss account	382.14	278.10
	921.05	681.52
(e) Balance in Profit and Loss account	5721.12	3190.57
(f) Foreign currency translation reserve	13.19	1.06
(g) Profit / (Loss) on cash flow hedges	73.71	(4.42)
Note:	8752.24	5949.88

The Company allotted 48,93,05,249 equity shares as fully paid up bonus shares on July 31, 2006 by utilisation of Securities Premium Account.

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'C'	(Refer note 1)	
SECURED LOANS		
<u>From Banks</u>		
(i) Shipment Loans	-	42.54
(ii) Short-term loans from bank	15.00	-
(iii) Overdrafts	44.52	38.59
<u>From Others</u>		
(i) Obligations under finance lease	3.57	4.94
Notes:	63.09	86.07

- (1) Shipment loans were secured by pari-passu hypothecation of foreign book debts.
- (2) Short-term loans and Bank overdrafts are secured by domestic book debts, hypothecation of inventories and other current assets.
- (3) Obligations under finance lease are secured against fixed assets obtained under finance lease arrangements.

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
	(Refer note 1)	
SCHEDULE 'D'		
UNSECURED LOANS		
<u>From Banks</u>		
(i) Short-term loans from banks	-	4.53
(ii) Other	434.70	-
<u>From Others</u>		
(i) Commercial Paper	-	5.00
(ii) Other	8.96	21.09
	<u>443.66</u>	<u>30.62</u>

Note:

Loans repayable within one year Rs. 0.97 crores
(March 31, 2006: Rs. 20.92 crores)

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
	(Refer note 1)	
SCHEDULE 'E'		
DEFERRED TAX BALANCES		
(a) Deferred Tax Liabilities (Net)		
(i) Foreign branch profit tax	67.00	67.23
(ii) Depreciation	(1.63)	4.35
(iii) Employee benefits	-	(8.02)
(iv) Provision for doubtful debts	-	(11.07)
(v) Others	6.33	(5.23)
	<u>71.70</u>	<u>47.26</u>
(b) Deferred Tax Assets (Net)		
(i) Depreciation	(8.55)	0.87
(ii) Employee benefits	39.59	3.08
(iii) Provision for doubtful debts	14.41	8.25
(iv) Others	26.99	11.49
	<u>72.44</u>	<u>23.69</u>

Schedules forming part of the Consolidated Balance Sheet

SCHEDULE 'F'
FIXED ASSETS

Description	Gross Block as at April 1, 2006	Additions #	Deletions/ Adjustments	Exchange Difference	Gross Block as at March 31, 2007	Accumulated Depreciation as at April 1, 2006	Depreciation for the year	Deletions/ Adjustments @	Exchange Difference	Accumulated Depreciation as at March 31, 2007	Net book value as at March 31, 2007	Rs. in crores
(a) TANGIBLE FIXED ASSETS												
FREEHOLD LANDS	209.65	-	-	-	209.65	-	-	-	-	-	209.65	209.65
LEASEHOLD LANDS	55.72	0.77	-	-	56.49	(3.34)	(2.25)	-	-	(5.59)	50.90	52.38
FREEHOLD BUILDINGS	548.33	101.33	(0.01)	0.04	649.69	(58.12)	(28.58)	-	(0.02)	(86.72)	562.97	490.21
LEASEHOLD BUILDINGS	18.52	13.22	-	(0.63)	31.11	(5.26)	(4.05)	0.31	0.12	(8.88)	22.23	13.26
LEASEHOLD IMPROVEMENTS	79.95	51.96	(3.35)	0.14	128.70	(27.67)	(29.07)	2.48	(0.08)	(54.34)	74.36	52.28
PLANT AND MACHINERY	7.40	3.73	(0.07)	-	11.06	(6.30)	(1.09)	0.07	0.04	(7.28)	3.78	1.10
COMPUTER EQUIPMENT	479.50	387.33	(19.24)	0.11	847.70	(293.48)	(224.43)	7.60	(0.18)	(510.49)	337.21	186.02
MOTOR CARS	54.20	3.35	(9.97)	0.04	47.62	(19.74)	(9.39)	5.60	(0.01)	(23.54)	24.08	34.46
OFFICE EQUIPMENT	181.30	70.17	(3.61)	0.15	248.01	(52.86)	(26.74)	(1.73)	(0.05)	(81.38)	166.63	128.44
ELECTRICAL INSTALLATIONS	190.34	42.68	(2.50)	(3.91)	226.61	(109.36)	(19.50)	1.24	3.77	(123.85)	102.76	80.98
FURNITURE AND FIXTURES	113.42	56.49	(4.56)	(0.57)	164.78	(74.22)	(36.97)	2.57	0.59	(108.03)	56.75	39.20
(b) INTANGIBLE ASSETS												
GOODWILL	-	254.28	-	25.23	279.51	-	(23.96)	-	0.20	(23.76)	255.75	-
ACQUIRED CONTRACT RIGHTS	-	195.93	-	19.44	215.37	-	(18.50)	-	0.16	(18.34)	197.03	-
INTELLECTUAL PROPERTY / DISTRIBUTION RIGHTS	12.71	-	-	-	12.71	(11.56)	(0.66)	-	-	(12.22)	0.49	1.15
SOFTWARE LICENCES	-	69.16	-	(0.46)	68.70	-	(14.98)	-	0.24	(14.74)	53.96	-
Total	1951.04	1250.40	(43.31)	39.58	3197.71	(661.91)	(440.17)	18.14	4.78	(1079.16)	2118.55	1289.13
Previous year	1170.65	825.29	(45.51)	0.61	1951.04	(155.93)	(282.43)	(223.28)	(0.27)	(661.91)	1289.13	1014.72
Capital Work-in-Progress (including Capital Advance Rs. 144.25 crores (March 31, 2006: Rs. 67.32 crores))											793.04	708.96
Grand Total											2911.59	1998.09

Notes:

- (1) Freehold buildings include Rs. 2.67 crores (March 31, 2006: Rs. 2.67 crores) being value of investment in shares of Co-operative Housing Societies and Limited Companies.
- (2) Net book value of computer equipment of Rs. 3.78 crores (March 31, 2006: Rs. 5.39 crores) is under finance lease.
- (3) Net book value of motor cars of Rs. Nil (March 31, 2006: Rs. 0.06 crores) is under finance lease.
- (4) # Includes fixed assets of Rs. 7.70 crores on acquisition of subsidiaries during the year.
- (5) @ Includes cumulative depreciation of Rs. 6.00 crores on acquisition of subsidiaries during the year.
- (6) Legal formalities relating to registration of certain assets, transferred on amalgamation, are pending completion.
- (7) In March 2006, the Company, through its subsidiary Diligenta Limited ("Diligenta") acquired, on a going concern basis certain businesses of Pearl Group Services Limited ("Pearl"). The acquisition included specified insurance contracts and claim administration business and assets including goodwill and acquired contract rights, which were transferred with effect from April 1, 2006.

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'G'	(Refer note 1)	
LONG-TERM INVESTMENTS (at cost)		
(i) Fully Paid Equity Shares (Quoted)		
Corp Banca S.A.	-	4.77
(ii) Fully Paid Equity Shares (Unquoted)		
(a) Associates		
Conscripti (Pty) Ltd. (20% voting interest)	4.00	3.60
Exegenix Research Inc. (49.9% voting interest)	0.30	-
Firstech Solutions Co. Ltd. (20% voting interest)	1.10	-
(b) Other		
Philippine Dealing System Holdings Corporation	3.91	4.02
(iii) Fully Paid Preference Shares (Unquoted)		
Exegenix Research Inc. (Associate)	0.75	0.77
eAF Pte Ltd.	-	6.27
Rallis India Limited	3.50	3.50
Tata AutoComp Systems Limited	5.00	5.00
(iv) Bonds and Debentures		
Investment in Bonds (Quoted)	29.26	4.86
Investment in Bonds (Unquoted)	-	0.61
Investment in Debentures (Unquoted)	0.11	1.06
	<u>47.93</u>	<u>34.46</u>
Less: Provision for diminution in value of investments	-	(6.30)
	<u>47.93</u>	<u>28.16</u>
CURRENT INVESTMENTS (at cost)		
Investment in Mutual Funds (Unquoted)	1208.94	676.46
	<u>1256.87</u>	<u>704.62</u>
Notes:		
Market value of quoted investment	28.62	9.31
Book value of quoted investment	29.26	9.63
Book value of unquoted investments (net of provisions)	1227.61	694.99
Particulars of investment in associate company	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
Name of associate company	Conscripti (Pty) Ltd.	
% of Voting interest	20%	20%
Cost of acquisition	8.71	8.71
Dividends received	(6.51)	(6.51)
	<u>2.20</u>	<u>2.20</u>
Share of post acquisition reserves and surplus *	1.80	1.40
Carrying value	<u>4.00</u>	<u>3.60</u>
* includes exchange translation gain / (loss) of Rs. (0.33) crores (March 31, 2006: Rs. 0.13 crores)		
	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
Name of associate company	Exegenix Research Inc.	
% of Voting interest	49.90%	49.90%
Cost of acquisition	-	-
Dividends received	-	-
	<u>0.30</u>	<u>-</u>
Share of post acquisition reserves and surplus *	0.30	-
Carrying value	<u>0.30</u>	<u>-</u>
* includes exchange translation gain / (loss) of Rs. (0.02) crores (March 31, 2006: Rs. (0.05) crores)		
	As at March 31, 2007 Rs. in crores	
Name of associate company	Firstech Solutions Co. Ltd.	
% of Voting interest	20%	
Cost of acquisition	1.20	
Dividends received	-	
	<u>1.20</u>	
Share of post acquisition reserves and surplus *	(0.10)	
Carrying value	<u>1.10</u>	
* includes exchange translation gain / (loss) of Rs. (0.02) crores		

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores (Refer note 1)	As at March 31, 2006 Rs. in crores
SCHEDULE 'H'		
INVENTORIES		
(a) Stores and spares	10.06	10.71
(b) Raw Materials, sub-assemblies and components	8.62	8.79
(c) Goods-in-transit	0.61	8.00
(d) Finished goods	21.83	51.56
(e) Work-in-progress	0.48	1.58
	<u>41.60</u>	<u>80.64</u>
	As at March 31, 2007 Rs. in crores (Refer note 1)	As at March 31, 2006 Rs. in crores
SCHEDULE 'I'		
SUNDRY DEBTORS		
(a) Over six months (unsecured)		
(i) Considered good	365.77	209.93
(ii) Considered doubtful	96.50	101.35
(b) Others (unsecured)		
(i) Considered good	3930.70	3041.67
(ii) Considered doubtful	0.34	4.92
	<u>4393.31</u>	<u>3357.87</u>
Less: Provision for doubtful debts	<u>(96.84)</u>	<u>(106.27)</u>
	<u>4296.47</u>	<u>3251.60</u>
(c) Future finance lease receivables	4.07	4.54
Less: Unearned finance income	<u>(2.61)</u>	<u>(3.01)</u>
	<u>1.46</u>	<u>1.53</u>
	<u>4297.93</u>	<u>3253.13</u>
	As at March 31, 2007 Rs. in crores (Refer note 1)	As at March 31, 2006 Rs. in crores
SCHEDULE 'J'		
CASH AND BANK BALANCES		
(a) Cash in hand	11.38	8.19
(b) Remittances in transit	27.27	8.86
(c) Bank Balances		
(i) with Scheduled Banks		
(1) In current account (including cheques on hand of Rs. 43.98 crores (March 31, 2006: Rs. 6.11 crores))	231.01	48.66
(2) In cash credit account	7.59	8.94
(3) In deposit account	212.45	26.40
(ii) with Foreign Banks		
(1) In current account	556.03	276.76
(2) In deposit account	350.72	54.57
	<u>1396.45</u>	<u>432.38</u>

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
	(Refer note 1)	
SCHEDULE 'K'		
LOANS AND ADVANCES (Unsecured)		
(a) Considered good		
(i) Loans and Advances to employees	251.83	232.73
(ii) Advances recoverable in cash or kind or for value to be received	964.22	569.95
(iii) Advance tax (including refunds receivable)	140.87	116.07
	<u>1356.92</u>	<u>918.75</u>
(b) Considered doubtful		
(i) Loans and Advances to employees	6.83	4.63
(ii) Advances recoverable in cash or kind or for value to be received	3.43	4.13
	<u>10.26</u>	<u>8.76</u>
Less: Provision for doubtful advances	(10.26)	(8.76)
	<u>1356.92</u>	<u>918.75</u>
Notes:		
(1) Advances recoverable in cash or kind or for value to be received include fair values of foreign exchange forward and currency option contracts.	67.62	15.42
(2) Advance recoverable in cash or kind or for value to be received include balances with Customs and Excise Authorities	0.37	0.44
(3) Advance recoverable in cash or kind or for value to be received include Intercompany deposits	-	8.00
	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
	(Refer note 1)	
SCHEDULE 'L'		
CURRENT LIABILITIES		
(a) Sundry creditors	1379.96	1023.41
(b) Advances from customers	185.48	183.06
(c) Advance billings and deferred revenues	530.04	357.66
(d) Equity Share Application Monies refundable	0.05	0.10
(e) Investor Education and Protection Fund - Unpaid Dividends (not due)	2.81	1.91
(f) Other liabilities (Refer note 4c, page 162)	423.04	159.83
(g) Interest accrued but not due	0.76	0.50
	<u>2522.14</u>	<u>1726.47</u>

Schedules forming part of the Consolidated Balance Sheet

	As at March 31, 2007 Rs. in crores	As at March 31, 2006 Rs. in crores
SCHEDULE 'M'	(Refer note 1)	
PROVISIONS		
(a) Current income taxes	171.57	120.67
(b) Fringe benefit tax	1.68	3.18
(c) Contingencies (Refer note 11, page 164)	25.66	44.29
(d) Employee benefits	364.61	151.05
(e) Proposed dividend	391.44	220.19
(f) Tax on dividend	68.59	31.94
(g) Provision for warranties	0.11	0.31
	1023.66	571.63

Schedules forming part of the Consolidated Profit and Loss Account

	2007 Rs. in crores (Refer note 1)	2006 Rs. in crores
SCHEDULE 'N'		
OTHER INCOME		
(a) Interest (Tax deducted at source Rs. 0.30 crores (Previous year: Rs. 0.74 crores))	21.71	24.65
(b) Dividend Income	38.22	18.14
(c) Profit on sale of fixed assets (net)	-	26.23
(d) Profit on redemption of mutual funds	10.07	3.29
(e) Rent	2.43	3.35
(f) Profit on sale of Joint Venture (Refer note 19, page 170)	66.90	-
(g) Exchange gains (net)	46.09	-
(h) Miscellaneous income	43.63	38.23
	229.05	113.89
Note: Dividend Income includes:		
Dividend from long-term investments	0.61	0.45
Dividend from other investments	37.61	17.69

Schedules forming part of the Consolidated Profit and Loss Account

	2007 Rs. in crores (Refer note 1)	2006 Rs. in crores
SCHEDULE 'O'		
EMPLOYEE COSTS		
(a) Salaries and Incentives	6941.00	4230.95
(b) Contribution to -		
(i) Provident Fund	107.62	112.27
(ii) Superannuation Scheme	57.62	9.45
(iii) Employees State Insurance Scheme	0.06	0.15
(iv) Gratuity	15.11	32.21
(v) Social security and other benefit plans (overseas employees)	229.74	123.80
(c) Staff welfare expenses	392.18	210.36
	7743.33	4719.19

	2007 Rs. in crores (Refer note 1)	2006 Rs. in crores
SCHEDULE 'P'		
OPERATION AND OTHER EXPENSES		
(a) Overseas business expenses	1628.06	1623.34
(b) Services rendered by business associates and others	845.61	661.08
(c) Software, hardware and material costs	819.12	793.44
(d) Cost of software licences	318.22	234.21
(e) Communication expenses	237.83	192.35
(f) Travelling and conveyance expenses	346.02	241.87
(g) Rent	300.77	189.03
(h) Legal and professional fees	196.03	121.25
(i) Repairs and maintenance	122.15	83.42
(j) Electricity expenses	115.86	75.99
(k) Bad debts and advances written-off	25.61	20.13
(l) Provision for doubtful debts	10.63	30.57
(m) Provision for doubtful advances	1.50	3.37
(n) Recruitment and training expenses	144.80	78.96
(o) Commission and brokerage	32.58	37.09
(p) Exchange loss (net)	-	68.40
(q) Printing and stationery	37.29	27.13
(r) Insurance	49.60	43.81
(s) Rates and taxes	47.36	21.50
(t) Entertainment	15.06	8.21
(u) Loss on sale of fixed assets (net)	0.69	-
(v) Loss on sale of investments	0.17	1.26
(w) Other expenses	508.07	304.09
	5803.03	4860.50

SCHEDULE 'Q' - NOTES TO ACCOUNTS

1) Significant Accounting Policies

a) Basis of Preparation

The consolidated financial statements of Tata Consultancy Services Limited, its subsidiaries, associates and joint ventures ("the Group") are prepared under the historical cost convention and in accordance with the requirements of the Companies Act, 1956.

Comparative figures do not include the figures of the newly acquired subsidiaries namely, TKS - Teknosoft S.A. and TCS Management Pty Ltd. Consequently, the comparative figures are not strictly comparable with the figures for the year ended and as at March 31, 2007.

b) Principles of consolidation

The financial statements of the subsidiary companies used in the consolidation are drawn up to the same reporting date as of the Company.

The consolidated financial statements have been prepared on the following basis:

- i) The financial statements of the Company and its subsidiary companies have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. Inter-company balances and transactions and unrealised profits or losses have been fully eliminated.
- ii) Interest in a jointly controlled entity is reported using proportionate consolidation.
- iii) The consolidated financial statements include the share of profit / loss of associate companies, which are accounted under the 'Equity method' as per which the share of profit of the associate company is added to the cost of investment. An associate is an enterprise in which the investor has significant influence and which is neither a subsidiary nor a joint venture.
- iv) The excess of cost to the Company of its investments in subsidiary companies over its share of the equity of the subsidiary companies at the dates on which the investments in the subsidiary companies are made, is recognised as 'Goodwill' being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary companies as on the date of investment is in excess of cost of investment of the Company, it is recognised as 'Capital Reserve' and shown under the head 'Reserves and Surplus', in the consolidated financial statements.
- v) Minority interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

c) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Example of such estimates include provisions for doubtful debts, employee retirement benefit plans, provision for income taxes, accounting for contract costs expected to be incurred to complete software development and the useful lives of fixed assets.

d) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation. Costs include all expenses incurred to bring the assets to its present location and condition. Exchange differences on translation of foreign currency loans obtained to purchase fixed assets from countries outside India are included in the cost of such assets.

Fixed assets exclude computers and other assets individually costing Rs. 50,000 or less which are not capitalised except when they are part of a larger capital investment programme.

e) Depreciation

Depreciation other than on freehold land and capital work-in-progress is charged so as to write-off the cost of the assets on the following basis:

Leasehold Land and Buildings	Straight-Line	Lease period
Freehold Buildings	Written down value	5%
Leasehold Improvements	Straight-Line	Lease period
Plant and Machinery	Straight-Line	33.33%
Computer Equipment	Straight-Line	16% - 50%
Motor Cars	Written down value	25% - 40%
Office Equipment	Straight-Line	4% - 35%
	Written down value	13.91%
Electrical Installations	Written down value	13% - 15%
Furniture and Fixtures	Written down value	15% - 100%
Goodwill	Straight-Line	12 years
Acquired Contract Rights	Straight-Line	12 years
Intellectual Property / Distribution Rights	Straight-Line	24 – 36 months
Software Licenses	Straight-Line	License Period

f) Leases

Where the Company, as a lessor, leases assets under finance leases such amounts are recognised as receivables at an amount equal to the net investment in the lease and the finance income is based on a constant rate of return on the outstanding net investment.

Assets leased by the Company in the capacity of the lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such leases are capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year.

Lease arrangements, where the risks and rewards incident to ownership of an asset substantially vests with the lessor, are recognised as operating lease. Lease rentals under operating lease are recognised in the profit and loss account on a straight-line basis.

g) Impairment

At each balance sheet date, the management reviews the carrying amounts of assets and goodwill included in each cash generating unit to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset and goodwill is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and risks specific to the asset.

Reversal of impairment loss is recognised immediately as income in the profit and loss account.

h) Investments

Long-term investments are stated at cost, less provision for other than temporary diminution in value. Current investments comprising investments in mutual funds are stated at the lower of cost and fair value, determined on a portfolio basis.

i) Employee benefits (Refer note 7, page 162)

i) Post-employment benefit plans

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss account for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

ii) Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave, overseas social security contributions and performance incentives.

j) Revenue recognition

Revenues from contracts priced on a time and materials basis are recognised when services are rendered and related costs are incurred.

Revenues from turnkey contracts, which are generally time bound fixed price contracts, are recognised over the life of the contract using the proportionate completion method, with contract costs determining the degree of completion. Foreseeable losses on such contracts are recognised when probable.

Revenues from the sale of equipment are recognised upon delivery, which is when title passes to the customer.

Revenues from maintenance contracts are recognised pro-rata over the period of the contract.

Revenues from Business Process Outsourcing (BPO) services are recognised on time and material, fixed price and unit priced contracts. Revenue on time and material, unit priced contracts is recognised as the related services are rendered. Revenue from fixed price contracts is recognised as per the proportionate completion method with contract cost determining the degree of completion.

Dividends are recorded when the right to receive payment is established. Interest income is recognised on time proportion basis.

k) Research and Development

Research and Development expenditure is recognised in the profit and loss account when incurred. Fixed assets utilised for research and development are capitalised and depreciated in accordance with the depreciation rates set out in paragraph 1(e).

l) Taxation

Current income tax expense comprises of taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred tax expense or benefit is recognised on timing differences being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised to the extent that there is virtual certainty that sufficient taxable income will be available to realise these assets. In other situations, deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realise these deferred tax assets.

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax and income tax provision arising in the same tax jurisdiction and intends to settle the asset and liability on a net basis.

The Company offsets deferred tax assets and deferred tax liabilities relating to taxes on income levied by the same governing taxation laws.

m) Foreign currency transactions

Income and expenses in foreign currencies are converted at exchange rates prevailing on the date of the transaction. Foreign currency monetary assets and liabilities other than net investments in non-integral foreign operations are translated at the exchange rate prevailing on the balance sheet date. Exchange difference arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral foreign operation are accumulated in a foreign currency translation reserve.

Premium or discount on forward exchange contracts are amortised and recognised in the profit and loss account over the period of the contract. Forward exchange contracts outstanding at the balance sheet date are stated at fair values and any gains or losses are recognised in the profit and loss account.

For the purpose of consolidation, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. The net impact of such change is disclosed under Foreign exchange translation reserve.

n) Derivative instruments and hedge accounting

The Company uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. The Company designates these as cash flow hedges.

The use of foreign currency forward contracts is governed by the Company's policies approved by the board of directors, which provide written principles on the use of such financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes.

Foreign currency forward contract derivative instruments are initially measured at fair value, and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of future cash flows are recognised directly in shareholders' funds and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit and loss account as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time for forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in shareholder's funds is retained there until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in shareholders' funds is transferred to the profit and loss account for the period.

o) Employee Stock Purchase Scheme

In accordance with the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999 issued by the Securities and Exchange Board of India ("SEBI"), the excess of market price one day prior to the date of issue of the shares over the price at which they are issued is recognised as employee compensation cost.

p) Inventories

Raw materials, sub-assemblies and components are carried at lower of cost and net realisable value. Cost is determined on a weighted average basis. Purchased goods in transit are carried at cost. Work-in-progress is carried at lower of cost and net realisable value. Stores and spare parts are carried at cost, less provision for obsolescence. Finished goods produced or purchased by the Company are carried at lower of cost and net realisable value. Cost includes direct material and labour cost and a proportion of manufacturing overheads.

2) a) Particulars of subsidiaries, associates and joint ventures

Name of the Company	Country of Incorporation	Percentage of voting power as at March 31, 2007	Percentage of voting power as at March 31, 2006
Subsidiaries (held directly)			
APONLINE Limited	India	89.00	89.00
C-Edge Technologies Limited (w.e.f. 19.01.2006)	India	51.00	51.00
CMC Limited	India	51.12	51.12
Diligenta Limited (w.e.f. 23.08.2005)	UK	76.00	76.00
MP Online Limited (w.e.f. 08.09.2006)	India	89.00	-
Exegenix Canada Inc. *	Canada	100.00	100.00
Tata America International Corporation	USA	100.00	100.00
Tata Consultancy Services Asia Pacific Pte Limited	Singapore	100.00	100.00
Tata Consultancy Services Belgium S.A.	Belgium	100.00	100.00
Tata Consultancy Services Deutschland GmbH	Germany	100.00	100.00
Tata Consultancy Services France SAS	France	100.00	100.00
Tata Consultancy Services Netherlands B.V.	Netherlands	100.00	100.00
Tata Consultancy Services Sverige AB	Sweden	100.00	100.00
Tata Infotech (Singapore) Pte Limited *	Singapore	100.00	100.00
Tata Infotech Deutschland GmbH *	Germany	100.00	100.00
TCS FNS Pty Limited (w.e.f 17.10.2005)	Australia	100.00	100.00
TCS Iberoamerica S.A.	Uruguay	100.00	100.00
WTI Advanced Technology Limited	India	100.00	100.00

Name of the Company	Country of Incorporation	Percentage of voting power as at March 31, 2007	Percentage of voting power as at March 31, 2006
Subsidiaries (held indirectly)			
CMC Americas Inc.	USA	100.00	100.00
Swedish Indian IT Resources AB (w.e.f. 09.05.2005)	Sweden	100.00	100.00
Financial Network Services (Beijing) Co. Ltd. (w.e.f. 29.12.2006)	China	100.00	-
Tata Information Technology (Shanghai) Company Limited	China	100.00	100.00
Tata Consultancy Services (China) Co., Ltd. (w.e.f. 16.11.2006)	China	72.22	-
TCS Solution Center S.A.	Uruguay	100.00	100.00
TCS Argentina S.A.	Argentina	99.00	99.00
Tata Consultancy Services Do Brasil Desenvolvimento De Servicos Limitada (formerly TCS Brazil S/C Limitada)	Brazil	99.99	99.99
Tata Consultancy Services Do Brasil S.A.	Brazil	51.00	51.00
Tata Consultancy Services De Mexico S.A. De C.V.	Mexico	100.00	100.00
Tata Consultancy Services De Espana S.A.	Spain	100.00	100.00
TCS Italia SRL	Italy	100.00	100.00
Tata Consultancy Services Japan Limited	Japan	100.00	100.00
Tata Consultancy Services Malaysia Sdn Bhd	Malaysia	100.00	100.00
Financial Network Services Malaysia Sdn Bhd (w.e.f. 19.10.2005)	Malaysia	100.00	100.00
Tata Consultancy Services Luxembourg S.A. (w.e.f. 28.10.2005)	Capellen (G.D. de Luxembourg)	100.00	100.00
Tata Consultancy Services Portugal Unipessoal Limitada (w.e.f. 04.07.2005)	Portugal	100.00	100.00
Tata Consultancy Services Chile S.A.	Chile	100.00	100.00
TCS Inversiones Chile Limitada	Chile	99.99	99.99
Tata Consultancy Services Chile Limitada (w.e.f. 18.10.2005) **	Chile	-	99.00
Tata Consultancy Services BPO Chile S.A. **	Chile	100.00	-
Comicrom S.A. (w.e.f. 07.11.2005) **	Chile	-	100.00
Sisteco S.A. (w.e.f. 07.11.2005) **	Chile	-	100.00
Syscrom S.A. (w.e.f. 07.11.2005)	Chile	100.00	100.00
Pentacrom S.A. (w.e.f. 07.11.2005)	Chile	100.00	100.00
Pentacrom Servicios S.A. (w.e.f. 07.11.2005)	Chile	100.00	100.00
Custodia De Documentos Intres Limitada (w.e.f. 07.11.2005)	Chile	100.00	100.00
Tatasolution Center S.A. (w.e.f. 28.12.2006)	Ecuador	100.00	-
Financial Network Services (Holdings) Pty Limited (w.e.f. 19.10.2005)	Australia	100.00	100.00
Financial Network Services Pty Limited (w.e.f. 19.10.2005)	Australia	100.00	100.00
Financial Network Services (Facilities Management) Pty Limited (w.e.f. 19.10.2005 and deregistered on 02.08.2006)	Australia	-	100.00
TCS Management Pty Ltd. (w.e.f. 08.11.2006)	Australia	100.00	-
Financial Network Services (Europe) Plc (w.e.f. 19.10.2005)	UK	100.00	100.00
PT Financial Network Services (w.e.f. 19.10.2005)	Indonesia	100.00	100.00
PT Tata Consultancy Services Indonesia (w.e.f. 05.10.2006)	Indonesia	100.00	-
Financial Network Services (Africa) (Pty) Ltd. (w.e.f. 19.10.2005)	South Africa	100.00	100.00

Name of the Company	Country of Incorporation	Percentage of voting power as at March 31, 2007	Percentage of voting power as at March 31, 2006
Chong Wan Investments Limited (w.e.f. 19.10.2005 and dissolved on 08.09.2006)	Hong Kong	-	100.00
Financial Network Services (H.K.) Limited (w.e.f. 19.10.2005)	Hong Kong	100.00	100.00
TKS – Teknosoft S.A. (w.e.f. 31.10.2006)	Switzerland	100.00	-
TKS Services S.A. (w.e.f. 31.10.2006)	Switzerland	100.00	-
Quartz Software Technology S.A. (w.e.f. 31.10.2006)	Switzerland	100.00	-
TKS Banking Solutions S.A. (w.e.f. 31.10.2006)	Switzerland	100.00	-
TKS Teknosoft (France) SAS (w.e.f. 31.10.2006)	Switzerland	100.00	-
Associates			
Conscripti (Pty) Ltd.	South Africa	20.00	20.00
Exegenix Research Inc. *	Canada	49.90	49.90
Firstech Solution Co. Ltd.	Thailand	20.00	-
Joint Venture			
Sitel India Limited * (Sold on 26.03.2007)	India	-	40.00

* Consequent to the amalgamation of the erstwhile Tata Infotech Limited with effect from April 1, 2005 (Refer note 3).

** Sisteco S.A. amalgamated with Comicrom S.A. with effect from November 30, 2006 and the amalgamated entity merged with Tata Consultancy Services Chile Limitada with effect from December 31, 2006. The new entity was renamed as Tata Consultancy Services BPO Chile S.A. with effect from December 31, 2006.

- b) The contribution of the subsidiaries formed or acquired during the year is as under:

(Rs. in crores)			
Name of Subsidiary	Revenue (post acquisition)	Net Profit/(Loss) (post acquisition)	Net Assets
TKS – Teknosoft S.A.	124.92	8.77	218.22
TCS Management Pty Ltd.	9.50	0.37	1.46
Tatasolution Center S.A.	-	-	0.01
Financial Network Services Beijing Co. Limited	-	-	1.08
MP Online Limited	-	(0.36)	0.64
PT Tata Consultancy Services, Indonesia	0.46	0.23	0.66
Tata Consultancy Services (China) Co., Limited	(0.55)	(2.47)	54.22

3) Amalgamation of Companies

- a) Airline Financial Support Services (India) Limited, Aviation Software Development Consultancy India Limited and TCS Business Transformation Solutions Limited – wholly owned subsidiaries of Tata Consultancy Services Limited have been amalgamated with the Company with effect from April 1, 2005 in terms of the Scheme of Amalgamation (Scheme) sanctioned by the High Court of Judicature at Bombay, High Court of Judicature at Madras and the High Court of Karnataka, Bangalore, vide their Orders dated December 9, 2005, January 25, 2006 and January 13, 2006 respectively. The Scheme came into effect on February 1, 2006 and pursuant thereto all assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations, have been transferred to and vested in the Company retrospectively with effect from April 1, 2005.

As all the subsidiaries amalgamated as aforesaid were wholly owned by the Company, no shares were exchanged to effect the amalgamation.

- b) In accordance with the Scheme of Amalgamation ("Scheme") of the erstwhile Tata Infotech Limited ("TIL") with the Company as sanctioned by the Honourable High Court of Judicature at Bombay vide its Order dated January 27, 2006, the undertaking of TIL being all its assets and debts, outstandings, credits, liabilities, benefits under income tax, excise, sales tax (including deferment of sales tax), benefits for and under STPI registrations, duties and obligations,

has been transferred to and vested in the Company retrospectively with effect from April 1, 2005 (the appointed date). The Scheme came into effect on February 1, 2006.

Pursuant to the Scheme coming into effect, every shareholder of TIL holding fully paid up equity shares was allotted one Equity Share of Re. 1 each in the Company, credited as fully paid up for every two Equity Shares of Rs. 10 each fully paid up held in the capital of TIL.

- c) Consequent to the amalgamation of the erstwhile Tata Infotech Limited, effective April 1, 2005 its wholly owned subsidiaries Exegenix Canada Inc., Tata Infotech Deutschland GmbH, Tata Infotech (Singapore) Pte Limited and its Joint venture with Sitel India Limited are now wholly owned subsidiaries and a Joint Venture of the Company.

4) **Acquisitions**

- a) On September 8, 2006, the Company subscribed to 89% share capital of MP Online Limited, a Company formed in partnership with the Government of Madhya Pradesh, offering a wide range of computer enabled services in the State of Madhya Pradesh.
 - b) On October 5, 2006, the Company, through its wholly owned subsidiaries Tata Consultancy Services Asia Pacific Pte Limited and Tata Consultancy Services Malaysia Sdn Bhd, subscribed to 100% share capital of PT Tata Consultancy Services, Indonesia, a Company formed to provide consulting and IT related services in Indonesia.
 - c) On October 31, 2006, the Company, through its wholly owned subsidiary Tata Consultancy Services Netherlands B.V., acquired 75% equity interest in Switzerland based TKS - Teknosoft S.A., for a consideration of Rs. 368.06 crores (CHF 102.30 million). On March 21, 2007, the Company increased its equity interest to 100% as a consequence of a buyback of the shares of the minority shareholders by TKS - Teknosoft S.A. The consideration of Rs. 121.18 crores (CHF 34 million) payable is included in other liabilities.
 - d) On November 8, 2006, the Company, through its wholly owned subsidiary TCS FNS Pty Limited, acquired 100% equity interest in an Australia based company TCS Management Pty Ltd., for a total consideration of Rs. 15.75 crores (A\$ 4.56 million).
 - e) On November 16, 2006, the Company, through its wholly owned subsidiary Tata Consultancy Services Asia Pacific Pte Limited subscribed to 72.22% share capital of Tata Consultancy Services (China) Co., Ltd., a Company formed in partnership with Chinese companies to provide IT outsourcing services and solutions in China and globally.
 - f) On December 28, 2006, the Company, through its wholly owned subsidiaries Tata Consultancy Services BPO Chile S.A. and TCS Inversiones Chile Limitada subscribed to 100% share capital of Tatasolution Center S.A., a Company formed to provide BPO services in Ecuador.
 - g) On December 29, 2006, the Company, through its wholly owned subsidiary TCS FNS Pty Limited subscribed to 100% share capital of Financial Network Services Beijing Co. Ltd., a Company formed to provide consulting and IT related services in China.
- 5) The Company has given undertakings to (a) Bank of China Co. Limited, not to transfer its controlling interest in Financial Network Services Pty Limited, (b) The Government of Madhya Pradesh not to divest its shareholding in MP Online Limited except to an affiliate, (c) State Bank of India not to sell, transfer or otherwise dispose off its share or any interest in C-Edge Technologies Limited. In addition the Company's wholly owned subsidiary Tata Consultancy Services Asia Pacific Pte Limited has given undertakings to (a) Thai Re-Insurance Public Co. Limited not to divest its shareholding in Firstech Solution Co. Ltd. for a period of three years from the date of agreement dated December 15, 2005, (b) Beijing Zhongguancun Software Park Development Co. Limited, Tianjin Huayuan Software Area Construction and Development Co. Limited and Uniware Co. Limited not to divest its shareholding in Tata Consultancy Services (China) Co., Limited.
- 6) Consequent to the Accounting Standard 15 "Employee Benefits" (AS - 15) issued by the Institute of Chartered Accountants of India, becoming effective from April 1, 2006, the Company has reviewed and revised its accounting policy in respect of employee benefits. Consequent upon the change, profit before tax for the year ended March 31, 2007 is lower by Rs. 55.03 crores. In accordance with the transitional provisions contained in the Accounting Standard, the net difference of Rs. 142.61 crores and Rs. 4.02 crores between the liability in respect of short-term employee benefits existing on the date of adoption and the liability that would have been recognised at the same date under the previous accounting policy has been adjusted against the opening balance in the general reserve and the opening balance in the profit and loss account respectively.

7) **Retirement Benefits**

Gratuity

In accordance with Indian law, TCS Limited and its subsidiaries in India provide for gratuity, a defined benefit retirement plan covering eligible employees in India. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment in an amount equivalent to 15 to 30 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. The measurement date used for determining retirement benefits for gratuity is March 31. Certain overseas subsidiaries of the Company also provide for retirement benefit plans in accordance with the local laws.

The following table set out the funded status of the retirement benefit plans and the amounts recognised in the financial statements:

Retirement benefits

	Indian As at March 31, 2007 (Rs. in crores)	Foreign As at March 31, 2007 (Rs. in crores)	Consolidated As at March 31, 2007 (Rs. in crores)
i) Change in benefit obligations:			
Project benefit obligation, beginning of the Year (April 1, 2006)	243.22	-	243.22
Service cost	55.10	21.62	76.72
Interest cost	19.29	1.60	20.89
Acquisitions	-	86.89	86.89
Actuarial (gain) / loss	(38.37)	(1.63)	(40.00)
Benefit paid	(22.45)	-	(22.45)
Projected benefit obligation, end of the year	256.79	108.48	365.27
ii) Change in plan assets:			
Fair value of plan assets, beginning of the year (April 1, 2006)	224.69	-	224.69
Expected return on plan assets	18.48	1.97	20.45
Employer's contributions	21.02	22.69	43.71
Acquisitions	-	77.84	77.84
Benefit paid	(22.45)	-	(22.45)
Actuarial (gain) / loss	2.43	(1.63)	0.80
Fair value of plan assets, end of the 12 months period (March 31, 2007)	244.17	100.87	345.04
Excess / (shortfall) of plan assets over obligation	(12.62)	(7.61)	(20.23)
iii) (Accrued) / Prepaid benefit	(12.62)	(7.61)	(20.23)
iv) Net gratuity cost for the period ended March 31, 2007			
Service cost	55.10	21.62	76.72
Interest on Defined Benefit Obligation	19.29	1.60	20.89
Expected return on plan assets	(18.48)	(1.97)	(20.45)
Net Actuarial (gains) / losses recognised in the year	(40.80)	-	(40.80)
Net gratuity cost	15.11	21.25	36.36
Actual return on Plan Assets	20.91	0.34	21.25
v) Category of Assets as at March 31, 2007			
Corporate Bonds	-	9.04	9.04
Index linked gilt	-	9.11	9.11
Insurer Managed Funds	244.17	81.05	325.22
Others	-	1.67	1.67
Total	244.17	100.87	345.04
vi) Assumptions used in accounting for the gratuity plan:			
	Indian	Foreign	
Discount rate	6% - 8.25%	3% - 5.35%	
Salary escalation rate	4% - 7%	1.5%	
Expected rate of return on plan assets	6% - 8%	4.75%	

Defined contribution plans

Provident Fund

In accordance with Indian law, all eligible employees of TCS Limited and its subsidiaries in India are entitled to receive benefits under the provident fund, a defined contribution plan in which both the employee and employer contribute monthly at a determined rate (up to 12% of employee's salary). TCS Limited and its subsidiaries in India are liable for future provident fund benefits to the extent of its annual contribution and any shortfall in fund assets based on government specified minimum rates of return, and recognises such contributions and shortfall, if any, as an expense in the year incurred.

TCS Limited and its subsidiaries in India contributed Rs. 107.62 crores (*Previous year: Rs. 112.27 crores*) to the Provident Fund during the year.

Superannuation

In addition to gratuity benefits, all eligible employees are entitled to benefits under Superannuation, a defined contribution plan. TCS Limited and its subsidiaries in India makes monthly contributions at 13% of annual basic salary for the first five years of an employee's service and at 15% from the fifth year onwards until retirement or resignation of the employee. TCS Limited and its subsidiaries in India recognises such contributions as an expense when incurred. TCS Limited and its subsidiaries in India has no further obligation beyond its monthly contribution.

TCS Limited and its subsidiaries in India contributed Rs. 27.16 crores (*Previous year: Rs. 8.21 crores*) to the Employees' Superannuation Fund during the year.

In addition, foreign subsidiaries contributed Rs. 33.91 crores (*Previous year: Rs. 3.93 crores*) to the defined contribution plans.

- 8) The shareholders approved the issue of Bonus Shares in the proportion of one new equity share for every existing equity share, at the Annual General Meeting held on June 29, 2006. Accordingly a sum of Rs. 48.93 crores has been transferred to Share Capital Account on allotment of fully paid bonus shares to the holders of the equity shares on the record date of July 31, 2006 by utilisation of the Securities Premium Account. Consequently, the earnings per share have been adjusted for the periods presented.
- 9) Unbilled revenue as at March 31, 2007 amounting to Rs. 783.50 crores (*March 31, 2006: Rs. 480.05 crores*) primarily comprises of the revenue recognised in relation to efforts incurred on turnkey contracts priced on a fixed time, fixed price basis.
- 10) During the year ended March 31, 2007, a charge of Rs. 24.46 crores has been made in a subsidiary company in respect of losses that may arise from a contract under dispute, based on management's evaluation of the possible outcome.
- 11) **Provision for contingencies**

	(Rs. in crores)		
	Provident Fund	Other Claims	Total
Balance as at April 1, 2006	44.29	-	44.29
Provision made during the period	2.54	25.25	27.79
Provision written back during the period	(46.83)	-	(46.83)
Balance as at March 31, 2007	-	25.25	25.25

a) Provident Fund

On November 24, 1998 the Regional Provident Commissioner of Mumbai (RPFC) issued an order stating that erstwhile TCS Division was rendering "expert services" in accordance with a notification issued by Central Government of India under the Provident Funds Act, 1952 (the PF Act), in which the RPFC sought to cover the erstwhile TCS Division under the PF Act and claimed administrative charges. The erstwhile TCS Division filed a legal case against the order in the High Court of Bombay.

Pending resolution of the matter, a provision of Rs. 46.83 crores upto June 30, 2006 (*March 31, 2006: Rs. 44.29 crores*) was made based on the management's estimate of the claim for administrative charges.

The High Court of Judicature at Bombay, vide its judgement dated September 20, 2006, has upheld the Company's case against the RPFC, setting aside its order dated November 24, 1998. Management is of the opinion that in view of the favourable decision of the High Court of Judicature at Bombay, the provision for administrative charges is no longer required. Accordingly an amount of Rs. 46.83 crores has been credited to "Company's Contribution to Provident Fund Account" in the quarter ended September 30, 2006.

b) Others

A provision of Rs. 25.25 crores (GBP 2.96 million) has been made to recognise the Company's legal obligation to undertake dilapidations, that existed on the date of inception of the lease. This amount is recoverable from the lessor and a corresponding receivable has been recognised.

12) Finance Lease

a) Company as lessor

Particulars	As at March 31, 2007 (Rs. in crores)	As at March 31, 2006 (Rs. in crores)
a) Total gross investment	4.07	4.54
b) Present value of Minimum Lease Payments receivable	1.46	1.53
c) Total gross investment for the period	4.07	4.54
• Not later than one year	0.84	0.78
• Later than one year but not later than five years	3.23	3.11
• Later than five years	-	0.65
d) Present value of Minimum Lease Payments receivable	1.46	1.53
• Not later than one year	0.09	0.07
• Later than one year but not later than five years	1.37	0.96
• Later than five years	-	0.50
e) Unearned Finance Income	2.61	3.01

b) Company as lessee

Particulars	As at March 31, 2007 (Rs. in crores)	As at March 31, 2006 (Rs. in crores)
Minimum Lease payments:		
Less than one year	1.05	0.51
One to five years	2.52	3.63
Later than five years	-	-
	3.57	4.14
Present Value of minimum lease payments:		
Less than one year	1.05	0.51
One to five years	2.28	3.62
Later than five years	-	-
	3.33	4.13

The finance lease arrangement is renewable at the option of the lessee.

13) Obligation under non-cancellable operating lease

Particulars	As at March 31, 2007 (Rs. in crores)	As at March 31, 2006 (Rs. in crores)
Not later than one year	183.61	96.20
Later than one year but not later than five years	481.80	189.49
Later than five years	392.57	13.03
Total	1057.98	298.72

The total charge to the Profit and Loss Account for the year ended March 31, 2007 is Rs. 265.68 crores (*Previous year: Rs. 78.53 crores*).

14) Research and development expenditure aggregating Rs. 40.89 crores (*Previous year: Rs. 41.88 crores*) was incurred during the year.

15) In accordance with the Employee Stock Option Scheme of the Employees' Share Participation Trust ("Trust") of erstwhile Tata Infotech Limited, the Trust had granted 3,72,950 options in earlier years out of the shares held by the Trust. Out of these options granted, the vesting period for 1,18,116 options had not lapsed as of January 2006.

Subsequent to the approval of the shareholders of the amalgamation of TIL with the Company, the Trustees of the Trust at their meeting held on January 17, 2006, dissolved the Trust in terms of the Trust deed in view of the imminent amalgamation. The dissolution of the Trust resulted in the unvested options for 1,18,116 shares becoming fully exercisable by the employees. Further, disbursements of the residual assets in the Trust, comprising 1,20,626 shares held by the Trust and cash amounting to Rs. 10.17 crores with the Trust, were made to certain employees of TIL in January 2006 and Rs. 1.24 crores was paid to the Company's Employee Welfare Trust.

Based on independent legal opinion, the Company, is of the view that the SEBI (Employee Stock Option Scheme and Employee Share Purchase Scheme) Guidelines, 1999 do not apply to the accelerated vesting and distribution made in the course of the dissolution of the Trust in January 2006.

16) Sale of Equipment is net of excise duty Rs. 2.12 crores (*Previous year: Rs. 5.51 crores*).

17) Segment Reporting

The Company has identified geographic segments as its primary segment and industry segments as its secondary segment. Geographic segments of the Company are Americas, Europe, India and Others.

Secondary segments of the Company are Banking, Financial Services and Insurance (BFSI), which are considered as single segment, Manufacturing, Retail and Distribution, Telecom and Others. Others include segments such as Transportation, Life Sciences and Healthcare, Energy and Utilities, s-Governance, Media and Entertainment, Travel & Hospitality services and sale of products, etc.

Revenue and expense directly attributable to segments are reported under each reportable segment. Expenses incurred in India on behalf of other segments and not directly identifiable to each reportable segment have been allocated to each segment on the basis of associated revenues of each segment. All other expenses which are not attributable or allocable to segments have been disclosed as unallocable expenses.

Assets and liabilities that are directly attributable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable. Fixed assets have not been allocated between segments as these are used interchangeably between segments.

Year ended March 31, 2007

Particulars	Geographic Segment				(Rs. in crores)
	Americas	Europe	India	Others	Total
Revenue	10514.81	5320.48	1681.99	1167.93	18685.21
	7831.28	2975.34	1656.91	800.46	13263.99
Identified operating expenses	5756.47	3278.50	1122.81	751.35	10909.13
	4228.81	1660.95	1151.62	455.62	7497.00
Allocated expenses	1243.02	471.54	167.19	172.99	2054.74
	1034.70	291.07	141.34	141.82	1608.93
Segment result	3515.32	1570.44	391.99	243.59	5721.34
	2567.77	1023.32	363.95	203.02	4158.06
Unallocable expenses					1032.11
					765.33
Operating income					4689.23
					3392.73
Other income					229.05
					113.89
Profit before taxes and exceptional items					4918.28
					3506.62
Tax expense					663.96
					509.57
Net Profit before Minority Interest and share of profit of associate					4254.32
					2997.05
Minority Interest					(42.77)
					(29.84)
Share of profit of associate					1.08
					(0.47)
Net profit					4212.63
					2966.74

As at March 31, 2007

Particulars	Geographic Segment				(Rs. in crores)
	Americas	Europe	India	Others	Total
Segment Assets	2976.38	2577.93	1412.97	935.92	7903.20
	2207.71	1352.96	1189.71	541.08	5291.46
Unallocable assets					5282.95
					3334.12
Total Assets					13186.15
					8625.58
Segment Liabilities	1074.98	914.12	374.39	322.05	2685.54
	775.21	553.14	326.20	167.58	1822.13
Unallocable Liabilities					1438.71
					639.92
Total Liabilities					4124.25
					2462.05

Business Segment

The following business segments individually contribute 10 percent or more of the Company's revenues and segment assets.

Industry Segment	Revenues for the year ended March 31, 2007	Segment Assets as at March 31, 2007
	(Rs. in crores)	(Rs. in crores)
BFSI	8200.26	2014.07
	5142.91	1222.72
Manufacturing	2375.89	498.31
	2117.72	459.67
Retail and Distribution	1101.96	319.31
	662.58	203.83
Telecom	3006.17	952.92
	1960.76	626.54

18) Related Party Disclosures
A) Related Parties and their Relationship
I) Holding Company

- Tata Sons Limited

II) Fellow Subsidiaries

- Ewart Investment Ltd.
- Primal Investment & Finance Limited
- Concept Marketing & Advertising Limited
- Tata AIG General Insurance Company Limited
- Tata AIG Life Insurance Company Limited
- TCE Consulting Engineers Limited
- E2E Serwiz Solutions Limited
- Tata Sky Limited (formerly Space TV Limited)
- Tata Housing Development Company Limited (THDC)
- Tata Teleservices Limited
- Tata Teleservices (Maharashtra) Limited
- Tata Internet Services Limited
- Tata Limited, London

- Tata International AG, ZUG
- Tata AG., ZUG
- Panatone Finvest Limited
- Tata Asset Management Ltd.
- Tata Petrodyne Ltd.
- Wireless-TT Infoservices Ltd.
- Infiniti Retail Limited (formerly Value Electronics Ltd.)
- Tata Asset Management (Mauritius) Ltd.
- Ewart Investment Private Limited (Mauritius) w.e.f. 30.08.2006
- Tata Pension Management Ltd. w.e.f. 31.08.2006
- Computational Research Laboratories Pvt. Ltd. w.e.f. 12.07.2006
- Tata Realty and Infrastructure Limited w.e.f. 02.03.2007

III) **Associates**

- Conscripti (Pty) Ltd.
- Exegenix Research Inc. *
- Firstech Solution Co. Ltd.

IV) **Joint Venture**

- Sitel India Limited * (ceased to be a joint venture on 26.03.2007)

V) **Key Management Personnel**

- Mr. S. Ramadorai (Chief Executive Officer and Managing Director)
- Mr. S. Mahalingam (Chief Financial Officer)

* Consequent to amalgamation of the erstwhile Tata Infotech Limited with effect from April 1, 2005 (Refer note 3, page 161)

B) **Transactions with Related Parties**

Year ended March 31, 2007

(Rs. in crores)

Particulars	Holding Company	Fellow Subsidiaries	Associates/ Joint Venture	Key Management Personnel	Total
Issue of Bonus Shares	38.92	0.01	-	0.01	38.94
	-	-	-	-	-
Issue of Shares pursuant to Amalgamation of TIL	-	-	-	-	-
	0.68	-	-	-	0.68
Brand Equity Contribution	40.02	-	-	-	40.02
	27.99	-	-	-	27.99
Purchase of Fixed Assets	-	3.63	0.47	-	4.10
	0.01	0.56	0.03	-	0.60
Purchase of Investment	-	-	1.20	-	1.20
	-	-	10.70	-	10.70
Revenues	-	206.75	41.94	-	248.69
	0.28	166.37	54.00	-	220.65
Interest Income	-	-	-	-	-
	-	0.17	-	-	0.17
Rent Income	-	-	-	-	-
	-	0.61	-	-	0.61

(Rs. in crores)

Particulars	Holding Company	Fellow Subsidiaries	Associates/ Joint Venture	Key Management Personnel	Total
Other Income	-	-	0.48	-	0.48
	-	-	1.94	-	1.94
Purchase of Goods, Services, and Facilities	0.08	3.38	14.97	-	18.43
	1.77	31.82	17.47	-	51.06
Rent Paid	0.55	1.23	0.06	-	1.84
	0.25	0.87	0.03	-	1.15
Provision for doubtful debts/ advances	-	-	-	-	-
	-	0.48	0.07	-	0.55
Amounts Written off as Bad Debts	-	0.16	-	-	0.16
	-	-	-	-	-
Dividend Paid	755.09	0.19	-	0.18	755.46
	542.32	-	-	0.13	542.45
Remuneration	-	-	-	3.60	3.60
	-	-	-	3.17	3.17
C) <u>Balances with Related Parties</u>					
Debtors, Unbilled Revenue,	0.96	78.07	11.87	-	90.90
Loans and Advances	0.35	77.65	15.54	-	93.54
Creditors, Advance Billings,	32.01	5.48	6.69	-	44.18
Advances from Customers	30.14	10.41	8.31	-	48.86

D) Disclosure of Material Transactions with Related Parties

Revenues

	2007 (Rs. in crores)	2006 (Rs. in crores)
Tata Teleservices Limited	139.42	134.96
Tata Sky Limited (formerly Space TV Ltd.)	61.10	24.61
Conscripti (Pty) Ltd.	41.87	53.32

Purchase of Goods, Services and Facilities

Conscripti (Pty) Ltd.	14.97	11.74
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Purchase of Fixed Assets

TCE Consulting Engineers Limited	3.59	0.35
Conscripti (Pty) Ltd.	0.47	0.03

Purchase of Investment

Firstech Solution Co. Ltd.	1.20	-
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Rent paid

Tata Limited, London	1.23	0.87
Tata Sons Limited	0.55	0.25

	2007 (Rs. in crores)	2006 (Rs. in crores)
<u>Amounts Written-off as Bad Debt</u>		
Tata Teleservices Limited	0.16	-
<u>Dividend Paid</u>		
Tata Sons Limited	755.09	542.32
<u>Debtors, Unbilled Revenue, Loans and Advances</u>		
Tata Sky Limited (formerly Space TV Ltd.)	29.13	5.27
Tata Teleservices Limited	45.24	68.17
Conscripti (Pty) Ltd.	11.56	15.36
<u>Sundry Creditors, Advance Billings, Advances from Customers</u>		
Tata Sons Limited	32.01	30.14
Conscripti (Pty) Ltd.	6.67	6.82

- 19) On March 26, 2007, the Company has sold its 40% equity interest in joint venture with Sitel India Limited for a consideration of Rs. 76.98 crores (USD 17.73 million). Details of Company's share (40%) in the assets, liabilities, income and expenses of its joint venture with Sitel India Limited was as follows:

Particulars	2007 (Rs. in crores)	2006 (Rs. in crores)
Assets		
Net Block (including capital work-in-progress)	-	10.78
Sundry Debtors	-	6.07
Cash and Bank Balances	-	7.23
Loans & Advances	-	3.40
Liabilities		
Reserve & Surplus	-	6.75
Secured Loans	-	2.57
Current Liabilities	-	8.77
Provisions	-	0.59
Income		
Consultancy Services	51.70	30.74
Other Income	0.11	3.33
Expenses		
Employee costs	25.86	15.70
Operation and other expenses	18.05	13.76
Interest expense	0.36	0.03
Depreciation	3.65	2.17
Provision for taxes	0.20	0.43

- 20) Current tax is net of the effect of write back of provisions and refunds received in certain overseas jurisdictions relating to earlier years, of Rs. 2.59 crores (Previous year: Rs. 38.03 crores).

21) Contingent Liabilities

Particulars

As at March 31, 2007 (Rs. in crores)	As at March 31, 2006 (Rs. in crores)
Claims against the Company not acknowledged as debts (See note (i) below)	304.40
Guarantees given by the Group (See note (ii) below)	42.21
Notional amounts of foreign exchange forward contracts	694.89
Notional amounts of foreign exchange currency option contracts	1883.25
Unexpired Letters of Credit	43.54

Notes:

- i) Claims against the Company not acknowledged as debt includes mainly the following:
 - a) Rs. 86.26 crores (*March 31, 2006: Rs. 79.15 crores*) in respect of claims made by lessors for properties leased under tenancy agreements. These claims are being contested by the Company in the courts. The management does not expect these claims to succeed. An amount of Rs. 11.00 crores (*March 31, 2006: Rs. 10.17 crores*) has been accrued under other liabilities.
 - b) Rs. 212.36 crores (EUR 36.68 million) (*March 31, 2006: Rs. 197.91 crores, EUR 36.68 million*) in respect of a claim for compensation made by an overseas party. No provision has been made in these financial statements as management considers the probability of the claim succeeding to be remote.
- ii) The Company has provided guarantees aggregating to Rs. 1852.62 crores (GBP 217.50 million) (*March 31, 2006: Rs. Nil*) to third parties on behalf of its subsidiary Diligenta Limited.
- iii) The Company has examined the social security and tax aspects of contracts with legal entities which provide services to an overseas subsidiary and, based on legal opinion, concludes that the subsidiary is in compliance with the related statutory requirements.

22) Commitments

- i) Estimated amount of contracts remaining to be executed on Capital Account and not provided for (net of advances) Rs. 758.22 crores (*March 31, 2006: Rs. 524.87 crores*).
- ii) Pearl Group Services Limited ("Pearl") has an equity holding of 24 percent in Diligenta Limited. Under the shareholders agreement, the Company has a call option to purchase all the shares held by Pearl at fixed price of Rs. 257.58 crores (GBP 30.24 million) at the end of 4th year and Pearl has a put option to sell the shares to the Company at the same price at the end of the 5th year.
- iii) The share purchase agreement for acquisition of Comicrom S.A. provides for additional consideration, contingent upon certain conditions being met, including achieving specified earning levels in the acquired business in future years. The additional contingent consideration payable to the seller is subject to maximum amount of Rs. 240.69 crores (USD 55.37 million). The contingent consideration would be recorded as and when the contingency is resolved and the consideration is paid or becomes payable.

23) Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the Group financial statements.

24) Previous year's figures have been recast / restated wherever necessary.

25) *Previous year's figures are in italics.*

Statement pursuant to exemption received under Section 212(8) of the Companies Act, 1956 relating to subsidiary companies

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment Other than Investment in Subsidiary	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1.	APONLINE Limited	INR	1.00	4.57	(4.07)	2.86	2.36	-	1.78	(0.26)	0.01	(0.27)	-	India
2.	MP Online Limited	INR	1.00	1.00	(0.36)	1.00	0.36	-	-	(0.35)	0.01	(0.36)	-	India
3.	C-Edge Technologies Limited	INR	1.00	10.00	0.81	14.08	3.27	5.04	3.12	1.87	0.53	1.34	-	India
4.	CMC Limited	INR	1.00	15.15	213.54	599.17	370.48	-	994.40	84.87	20.77	64.10	15.15	India
5.	Diligenta Limited	GBP	85.18	366.27	186.24	710.75	158.24	-	636.93	(38.48)	(11.53)	(26.95)	-	U.K.
6.	Exegenix Canada Inc.	CAD	37.68	7.28	(5.39)	2.16	0.27	1.05	2.73	0.19	-	0.19	-	Canada
7.	Tata America International Corporation	USD	43.47	0.87	803.95	2026.35	1221.53	-	7885.38	408.05	160.20	247.85	-	U.S.A.
8.	Tata Consultancy Services Asia Pacific Pte Limited	USD	43.47	19.13	32.21	202.00	150.66	5.09	229.07	18.52	3.77	14.75	-	Singapore
9.	Tata Consultancy Services Belgium S.A.	EUR	57.91	1.07	14.55	54.82	39.20	-	135.09	11.87	4.14	7.73	-	Belgium
10.	Tata Consultancy Services Deutschland GmbH	EUR	57.91	0.44	17.53	195.63	177.66	-	289.70	9.76	3.74	6.02	-	Germany
11.	Tata Consultancy Services France SAS	EUR	57.91	0.66	(0.25)	0.47	0.06	-	0.01	(0.08)	-	(0.08)	-	France
12.	Tata Consultancy Services Netherlands B.V.	EUR	57.91	382.21	56.43	615.64	177.00	-	416.26	36.09	10.60	25.49	-	Netherlands
13.	Tata Consultancy Services Sverige AB	SEK	6.19	0.06	29.13	81.56	52.37	-	126.14	11.52	3.34	8.18	-	Sweden
14.	Tata Infotech (Singapore) Pte Limited	USD	43.47	0.14	1.10	1.29	0.05	-	0.05	0.02	-	0.02	-	Singapore
15.	Tata Infotech Deutschland GmbH	EUR	57.91	0.58	(0.03)	0.56	0.01	-	0.02	-	-	-	-	Germany
16.	TCS FNS Pty Limited	AUD	35.11	3.51	0.04	138.15	134.60	-	0.12	(0.02)	-	(0.02)	-	Australia
17.	TCS Iberoamerica S.A.	USD	43.47	61.13	119.42	156.55	(24.00)	-	0.01	(2.28)	-	(2.28)	-	Uruguay
18.	WTI Advanced Technology Limited	INR	1.00	1.05	49.59	51.03	0.39	33.57	11.52	4.48	0.62	3.86	-	India
19.	CMC Americas Inc.	USD	43.47	6.95	7.06	53.65	39.64	-	134.93	7.60	2.58	5.02	-	U.S.A.
20.	TKS - Teknosoft S.A.	CHF	35.64	7.13	202.04	237.90	28.73	9.70	48.99	8.80	2.24	6.56	-	Switzerland
21.	Swedish Indian IT Resources AB	SEK	6.19	0.06	0.30	0.30	(0.06)	-	-	(0.05)	-	(0.05)	-	Sweden
22.	Tata Information Technology (Shanghai) Company Limited	CNY	5.62	22.74	7.58	52.84	22.52	-	71.90	8.23	0.71	7.52	-	China
23.	TCS Solution Center S.A.	USD	43.47	0.90	11.48	24.26	11.88	-	90.30	5.03	1.09	3.94	-	Uruguay
24.	TCS Argentina S.A.	USD	43.47	2.71	(2.92)	3.19	3.40	-	8.54	(0.52)	-	(0.52)	-	Argentina
25.	Tata Consultancy Services Do Brasil Desenvolvimento De Servicos Limitada (formerly TCS Brazil S/C Limitada)	USD	43.47	5.43	3.01	9.08	0.64	-	-	(0.53)	-	(0.53)	-	Brazil
26.	Tata Consultancy Services De Mexico S.A. De C.V.	USD	43.47	1.00	7.70	22.39	13.69	-	32.66	8.48	5.04	3.44	-	Mexico
27.	TCS Inversiones Chile Limitada	USD	43.47	113.02	29.07	146.43	4.34	-	0.01	(0.26)	(0.24)	(0.02)	-	Chile
28.	Tata Consultancy Services De Espana S.A.	USD	43.47	0.08	(7.85)	8.46	16.23	-	20.15	(5.64)	-	(5.64)	-	Spain
29.	TCS Italia SRL	EUR	57.91	0.58	(0.01)	41.48	40.91	-	48.90	2.52	3.57	(1.05)	-	Italy
30.	Tata Consultancy Services Japan Limited	JPY	0.37	2.22	16.28	57.16	38.66	-	151.10	17.09	8.09	9.00	-	Japan
31.	Tata Consultancy Services (China) Co., Ltd.	CNY	5.62	56.65	(2.45)	54.58	0.38	-	(0.55)	(2.45)	-	(2.45)	-	China
32.	PT Tata Consultancy Services Indonesia	USD	43.47	0.44	0.23	1.96	1.29	-	0.46	0.32	0.09	0.23	-	Indonesia

Rs. in crores

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment Other than Investment in Subsidiary	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
33.	TCS Management Pty Ltd. @	AUD	35.11	1.10	0.36	7.13	5.67	-	9.60	0.37	-	0.37	-	Australia
34.	Tata Consultancy Services Malaysia Sdn Bhd	MYR	12.57	2.52	2.83	7.22	1.87	-	6.55	2.39	-	2.39	-	Malaysia
35.	Tata Consultancy Services Luxembourg S.A.	EUR	57.91	8.68	(1.68)	25.17	18.17	-	36.35	(1.87)	-	(1.87)	-	Luxembourg
36.	Financial Network Services (Beijing) Co. Limited	AUD	35.11	1.08	-	1.08	-	-	-	-	-	-	-	China
37.	Financial Network Services (Holdings) Pty Limited	AUD	35.11	48.91	(12.68)	36.23	-	-	-	12.00	-	12.00	-	Australia
38.	Tata Consultancy Services Portugal Unipessoal Limitada	USD	43.47	0.02	0.95	9.52	8.55	-	14.21	2.52	0.42	2.10	-	Portugal
39.	Tata Consultancy Services BPO Chile S.A. (formerly Tata Consultancy Services Chile Limitada)	USD	43.47	111.69	34.48	214.16	67.99	12.41	192.84	28.36	4.29	24.07	-	Chile
40.	Tata Consultancy Services Do Brasil S.A.	USD	43.47	6.48	35.54	103.06	61.04	-	291.88	38.63	14.01	24.62	-	Brazil
41.	Tata Consultancy Services Chile S.A.	USD	43.47	2.17	6.04	13.31	5.10	-	31.14	2.99	0.54	2.45	-	Chile
42.	Financial Network Services Pty Limited	AUD	35.11	0.01	(18.87)	157.22	176.08	-	235.30	20.46	-	20.46	-	Australia
43.	Financial Network Services (Europe) Plc @	GBP	85.18	0.42	(0.94)	(0.33)	0.19	-	2.19	0.01	-	0.01	-	U.K.
44.	TKS Services S.A.	CHF	35.64	3.56	5.69	19.19	9.94	-	12.56	3.80	0.68	3.12	-	Switzerland
45.	Quartz Software Technology S.A.	CHF	35.64	0.36	3.60	8.78	4.82	-	6.95	1.80	0.25	1.55	-	Switzerland
46.	TKS Banking Solutions S.A.	CHF	35.64	14.26	(0.15)	58.46	44.35	-	28.34	(1.50)	0.32	(1.82)	-	Switzerland
47.	TKS Teknosoft (France) SAS	EUR	57.91	5.79	0.47	56.53	50.27	-	91.28	(2.06)	(0.13)	(1.93)	-	Switzerland
48.	PT Financial Network Services	USD	43.47	0.26	(1.42)	2.72	3.88	-	5.87	(0.06)	-	(0.06)	-	Indonesia
49.	Financial Network Services (Africa) (Pty) Ltd. @	ZAR	5.97	0.01	-	0.01	-	-	-	-	-	-	-	South Africa
50.	Financial Network Services (H.K.) Limited @	HKD	5.56	0.01	(0.33)	0.17	0.49	-	5.24	(0.27)	-	(0.27)	-	Hong Kong
51.	Syscom S.A.	CLP	0.08	0.59	12.48	15.42	2.35	-	11.51	6.30	1.07	5.23	-	Chile
52.	Pentacrom S.A.	CLP	0.08	0.36	0.83	2.21	1.02	-	10.85	0.04	0.01	0.03	-	Chile
53.	Pentacrom Servicios S.A.	CLP	0.08	0.01	1.47	2.71	1.23	-	12.99	0.74	0.13	0.61	-	Chile
54.	Custodia De Documentos Intres Limitada	CLP	0.08	0.03	4.06	4.40	0.31	-	1.74	1.22	0.21	1.01	-	Chile
55.	Financial Network Services Malaysia Sdn Bhd @	MYR	12.57	0.13	(0.06)	0.09	0.02	-	0.01	(0.01)	0.02	(0.03)	-	Malaysia
56.	Tatasolution Center S.A.	USD	43.47	0.01	-	0.01	-	-	-	-	-	-	-	Ecuador

Notes:

1. Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, are based on the exchange rates as on 31.03.2007.
2. @ The financial year of these companies ends on June 30. However, the results given are as of March 31, 2007.

US GAAP ACCOUNTS

The Company has also prepared its financial statements for the year ended March 31, 2007 in accordance with the requirements of US GAAP. The US GAAP financial statements have been uploaded on the Company's website (www.tcs.com). In case any Member desires to have a copy of the above financial statements, he / she may request the Company for a soft copy by sending an email at investor.relations@tcs.com and for a hard copy by a letter addressed to the Registrar and Share Transfer Agents at the following address:

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TSR Darashaw Limited
(formerly Tata Share Registry Limited)
(Unit : Tata Consultancy Services Limited)
6-10, Haji Moosa Patrawala Industrial Estate,
20, Dr. E. Moses Road, Mahalaxmi,
Mumbai 400 011.
Tel: 91 22 6656 8484
Fax: 91 22 6656 8494
E-mail: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

Upon receiving the request, the said documents will either be emailed or sent by way of a hard copy as requested.

Copies of the financial statements will also be available at the venue of the Annual General Meeting for Members who desire a copy of the same.



TATA CONSULTANCY SERVICES LIMITED

Registered Office: Bombay House, 24, Homi Mody Street, Mumbai 400 001

ATTENDANCE SLIP

Members attending the Meeting in person or by Proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I hereby record my presence at the Twelfth Annual General Meeting of the Company at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020 at 3.30. p.m. on Friday, June 29, 2007.

Fullname of the Member (in Block Letters)

Signature

Folio No. : _____ DP ID No. * _____ Client ID No. * _____

* Applicable for Member holding shares in electronic form.

Fullname of the Proxy (in Block Letters)

Signature

- NOTES :
1. Member/Proxyholder wishing to attend the meeting must bring the Attendance Slip to the meeting and hand it over at the entrance duly signed.
 2. Member/Proxyholder desiring to attend the meeting should bring his/her copy of the Annual Report for reference at the meeting.



PROXY

I/We _____

of _____ in the district of _____ being

a Member/Members of the above named Company, hereby appoint _____

_____ of _____ in the district of _____ or failing

him _____ of _____ in the district of _____

_____ as my/our proxy to attend and vote for me/us and on my/our behalf at the Twelfth Annual General Meeting of the Company to be held on Friday, June 29, 2007 at 3.30. p.m. at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, New Marine Lines, Mumbai 400 020 and at any adjournment thereof.

Signed this _____ day of _____ 2007

Folio No. : _____ DP ID No. * _____ Client ID No. * _____

* Applicable for Member holding shares in electronic form.

No. of Shares held:

Signature

Affix
15 Paise
Revenue
Stamp

This form is to be used ** In favour of the resolution. Unless otherwise instructed, the Proxy will act as he thinks fit.
 ** against

** Strike out whichever is not desired.

- NOTES:
1. This Proxy must be lodged with the Company at its Registered Office at Bombay House, 24, Homi Mody Street, Mumbai 400 001, not less than FORTY-EIGHT HOURS before the time for holding the aforesaid meeting.
 2. Those Members who have multiple folios with different jointholders may use copies of this Attendance slip/ Proxy.



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TATA

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